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FACILITATING SMALL-SCALE, MIXED-USE DEVELOPMENT: WHAT THE WESTSIDE CITIES COULD DO

Prepared for:

The Westside Cities Subregion and the Southern California Association of Governments

City of Beverly Hills
City of Culver City
City of Santa Monica
City of West Hollywood

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(With 1997 Case Study Updates)

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I. EXECUTIVE SUMMARY

OVERVIEW

This Report presents the results of research and analysis conducted during 1995 on a specialized real estate development product that combines residential and commercial uses in a single structure of multiple stories, which is generally referred to as "mixed-use" development. Mixed-used development is attracting increasing interest as a strategy for promoting a variety of "livable cities" planning and transportation objectives. Interest in this concept is particularly strong among residents, property owners, decision makers and planners in four cities on the westside of Los Angeles County, California -- Beverly Hills, Culver City, Santa Monica and West Hollywood -- each of which has a tradition of unusually close attention to the design quality, urban character and environmental responsiveness of new real estate projects proposed within their borders. Together with certain unincorporated county areas adjacent to them, these four cities comprise the Westside Cities Subregion, for purposes of a new "bottom up" approach to regional planning in Southern California, as coordinated by the Southern California Association of Governments (SCAG).

The current wave of interest in mixed-use development among Westsiders and others has many sources and historical roots. Planners, architects, social scientists, and even a few brave real estate professionals, have extolled perceived virtues of mixing land uses in a single building for decades. These alleged benefits include:

- *Supports compact, infill development strategies, and their associated environmental benefits.*
- *Contributes to a more lively, 24-hour urban environment that helps change the perception of "city life."*
- *Provides opportunities to co-locate housing and employment, reduce commuting and reduce associated traffic congestion and air pollution.*
- *Provides new opportunities for additional housing in general and affordable housing in particular.*
- *Supports the ridership base if constructed near a transit system.*
- *Spreads financial risks among several land uses.*
- *Provides opportunities for novel design solutions to express and accommodate multiple land uses.*

Despite a few high-profile projects, and much experimentation, the small-scale, mixed-use concept still has not found much acceptance in the development community, and continues to meet resistance in some Los Angeles area communities and neighborhoods because its scale and character differ from more conventional single-use developments. "Mixed-use" may be too closely tied to images of Chicago's John Hancock Center, the Houston Galleria or New York's Trump Tower, for Southern Californians still fixated on a single-family neighborhood scale of development.

THE ANALYTIC APPROACH

The central objective of the analysis was to identify what actions the Westside cities themselves could be take to stimulate more mixed-use projects within their subregion, either through formal amendments to regulations or procedures that may be impeding mixed-use development, or through more informal actions, such as community education. Responding to this query required a thorough review of the market, financial, regulatory and institutional issues that today affect the willingness of the development community, both for-profit and not-for-profit, to construct mixed-use projects of the scale most likely to win permit approvals from Westside decision makers. This means mid-rise projects up to about six stories and about 150,000 gross square feet of floor area.

The analysis, prepared by Hamilton, Rabinovitz & Alschuler, Inc. (HR&A) as part of a series of subregional planning consultation assignments for the Westside Cities Subregion, included the following tasks:

- *Identifying existing policies and regulations applicable to mixed-use development.* HR&A first summarized the policy framework and regulatory regime now in place in each of the four Westside cities, the City of Los Angeles and the County of Los Angeles. The summary documents the provisions of each jurisdiction's General Plan and zoning ordinance that implicitly or explicitly supports the development of mixed-use projects.

- *Conducting case studies of existing mixed-use development projects.* HR&A then prepared detailed case studies of five existing small-scale, mixed-use on the Westside and elsewhere. The case studies draw on the experience of actual mixed-use development projects to illuminate the question of what local government could do to facilitate future mixed-use projects. The case studies also identify other general issues about this product type, including design, marketing and finance issues, that may affect the private sector's willingness to construct this form of development.

- *Testing the feasibility of prototypical mixed-use projects that might be proposed on the Westside*. Next, HR&A created schematic designs for a small-scale, mixed-use development project in each of the four Westside cities, using each city's policy and regulatory regime and a specific site selected by each city. These prototypical projects were then tested in a computerized financial feasibility simulation model adapted from a model used to evaluate mixed-use regulations in the City of Los Angeles. The feasibility results for each prototype are reported, under a baseline case, and for each of several possible changes that reflect alternative actions within the control of the cites, such as increasing buildable project area and reducing the amount of parking.

PROBLEMS IDENTIFIED AND POSSIBLE RESPONSES BY THE WESTSIDE CITIES

The analysis identified four general problem areas impeding future development of small-scale, mixed-use development on the Westside -- the entitlements process and development regulations; building codes and the construction inspection process; marketing; and financing. Among the most significant problems, and possible actions the cities could take to help address them, are the following:

<u>The Entitlements Process and Development Regulations</u>

Lack of Clear Review Criteria and Timely Processing of Discretionary Permits. Mixed-use projects usually need major to minor changes to development regulations, and this is time consuming. In light of how quickly market conditions can change, delays in the approval process can cause projects to miss the intended market. Possible city responses include:

- *Standardize Review Procedures*. Cities should consider either (a) making mixed-use a permitted use in certain zoning districts and allowing projects to be developed as-of-right; or (b) developing a set of development performance standards for mixed-use projects, such that a project conforming to the standards could be approved with minimal discretionary review.

- *Consolidate Discretionary Reviews*. To the extent that General Plan revisions, zone changes, conditional approvals, variances, use permits and/or other special exceptions are needed, these approvals should be processed concurrently rather than sequentially.

- *Focus Environmental Assessments and Standardize Mitigation Measures*. Consideration should also be given to conducting a master environmental assessment of the mixed-use product type, so that to the extent an individual project requires

environmental assessment, it can be narrowly focussed on site-specific issues. Standardizing mitigation measures will help ensure that the cities' expectations, and the costs thereof, are understood at the outset.

In Setting Basic Project Review Criteria, Consider the Scale That Mixed-Use Projects Typically Need in Order to Be Viable. The relatively high land prices and low densities permitted on the Westside adversely impact project economics. Projects need to achieve higher rents and sale prices and, therefore, need to target commercial space to non-neighborhood-serving uses and dwelling units to higher-income households. The Westside's typical 45-foot height limit makes it difficult to provide interior ceiling heights desired by larger retail tenants without short-changing floor-to-ceiling heights for the residential uses above the commercial uses, and to incorporate density bonuses, where applicable. In response, the Westside cities could:

- *Anticipate That Overall Project Scale Will Be Large, By Westside Standards.* In setting review thresholds like those noted above, the cities should recognize that successful mixed-use projects will probably need to be in a range of 100,000 square feet to be financially viable developments and to attract appropriately sophisticated developers and lenders. On the Westside cities, this is a project that would typically require considerable discretionary review.

- *Permit Higher Residential Densities and Smaller Units Sizes.* The cities should consider allowing mixed-use projects to have dwelling unit densities up to 80 units per acre in order to create more interesting urban environments, permit a wider range of incomes and generate sufficient return on investment. Higher densities can be achieved without significantly enlarging the building envelope if smaller unit sizes are permitted (e.g., one-bedroom units at 500 s.f. and two-bedroom units at 900 s.f.).

- *Be Flexible With Open Space Requirements.* The cities should be flexible regarding how and where open space requirements can be met in order to accommodate increased densities. Consider courtyards, balconies, terraces and rooftops in addition to setbacks from property lines.

- *Be Flexible With Building Heights When Mixing Residential With Other Uses.* The cities should consider allowing building heights for the residential component of mixed-use projects to exceed otherwise applicable building heights in order to: (a) accommodate the different floor-to-ceiling heights of retail and residential uses;

and 2) enable architects the flexibility needed to accommodate and express the different needs of the project's land uses.

- *Consider Density Bonuses for Preferred Uses, But Require Substantial Commitments to Those Uses.* Cities should consider granting development envelope bonuses (e.g., extra height or floor area) for preferred uses (e.g., residential or pedestrian-oriented ground floor commercial uses). But, to avoid introducing distortions in the market, the cities should require more than token commitments to such uses in order to qualify for the bonus.

Avoid Overburdening Mixed-Use Project With Unnecessary and Very Costly Parking Requirements. Mixed-use projects generally do not need the amount of parking typically required for each use considered separately. Dwelling units dedicated for lower-income households require less parking than market rate units. Possible city responses are:

- *Allow for Parking Reductions Based on a Project-Specific Shared Use Parking Analysis.* Allow mixed-use projects to apply for parking reductions that recognize unique features of mixed-use projects, such as: (a) alternating hours of operation and occupancy for the various uses; and (b) proximity of public parking facilities and/or public transit.

- *Allow Subterranean Parking to Extend Into Rights-of-Way.* Consider allowing (perhaps for a fee) subterranean parking to extend beyond the property line under the public right-of-way (alley or street) in order to help minimize the number of subterranean parking levels.

- *Maximize Compact Spaces and Tandem Parking.* Allow upwards of 50% of required spaces to be compact spaces, and permit parking attendants to stack vehicles in parking aisles during peak use hours. Allow tandem parking for residential units to reduce circulation area and maximize the number of parking spaces.

- *Lower Parking Requirement for Dedicated Affordable Units.* Reduce the resident and/or guest parking requirements for units restricted for occupancy by lower-income households.

2. Building Codes and the Construction Inspection Process

Resolving Code Interpretation Conflicts That Are Particularly Problematic In Mixed-Use Projects. Mixed-use projects often involve particularly complicated code interpretations where everyday coordination problems can be exacerbated. Recurring conflicts for mixed-use projects include: 1) fire ratings for courtyards and exterior walls; 2) types of permitted construction; 3) exit stair requirements; and 4) separation requirements between residential and non-residential uses. Possible city responses include:

- *Adopt Code Amendments to Address Predictable Conflicts.* Anticipate potential code conflicts, determine generic solutions, and/or adopt code exceptions for mixed-use projects as appropriate.

- *Reach Early Agreement on the Ground Rules.* Include upper level staff in these preliminary design meetings to ensure that the agreement(s) get carried out accordingly.

- *Achieve Consistency in Field Interpretations.* Create an inspection approval process that, in the case of inspector turnover, does not require significant reconstruction of particular project components once they have been approved by a prior inspector.

3. Marketing Issues

Do Not Expect Mixed-Use Projects to Swim Against the Stream Successfully. The Westside cities should not expect individual mixed-use projects to be effective catalysts for revitalizing blighted, transitional or other marginal areas. They should respond to market demand, but cannot create it. Mixed-use projects will only be viable, therefore, in established areas where people want to live, where tenants want to locate and where there is already high foot traffic. Although the Westside cities have only limited ability to influence market conditions that affect mixed-use development, they could consider doing the following:

- *Provide Additional Incentives for Marginal Areas.* Mixed-use projects in marginal areas will require public subsidies -- i.e., land write-downs, tax abatements, low cost financing and related public investments -- to counterbalance the market rent limitations of marginal areas. If the redevelopment works in the long run, cities will recapture their investments through tax revenue increases and/or a negotiated share in the appreciated value they helped to create. Any such public subsidies

and assistance must, however, be appropriate in amount and duration to realistically accommodate the time and tenant improvements necessary to achieve stabilized lease-up at market rents.

The Retail Component of Mixed-Use Projects is the Biggest Leasing Challenge. Markets change in response to shifts in the economic climate and consumer taste over the life of the development process. The impact of market changes on mixed-use projects is compounded by the fact that this product type involves multiple markets and market cycles. Code requirements and project conditions which define too narrowly the permitted residential and commercial uses may prove unworkable. Building design elements that block or obscure street visibility of the storefront, or overly restrictive signage requirements, can create resistance among retailers to locate in a mixed-use project. Possible city responses include:

- *Be Flexible When Specifying Desired Uses.* The cities should be flexible in defining acceptable commercial or residential uses, allowing the project to respond to changing market conditions.

- *Adjust Design Standards to Market Realities.* Design and signage criteria and requirements should be developed to meet the needs of traditional retailers. Cities should allow for flexibility in the design of the ground floor level of mixed-use projects so they can accommodate appropriate retail storefront depths and accessible parking.

Mixed-Use Projects Cannot Resolve Conflicts Between Markets and Competing Public Policies. Given the marketing complexities of mixing uses in a single project, cities should be cautious about imposing additional conditions to achieve other city policy objectives in these projects. For example, requirements for on-site, mixed-income family housing and large family units, needed though they may be, present significant marketing obstacles under the best of circumstances, and can present insurmountable obstacles for mixed-use projects. Requirements to provide for-sale housing in combination with rental housing, whether price-restricted or market rate, reduce the ability to secure bond financing, which is a major source of rental housing project financing. When rent- or sale price-restricted units are required to be designed and built to exactly the same standards as a project's market units, and/or are required to be uniformly located throughout the building, the project loses the opportunity to balance development costs and potential revenues. Possible city responses are:

- *Set Clear, Internally Consistent Policy Priorities for Mixed-Use Projects.* The Westside cities may not be able to achieve all of their policy objectives in every project; choices between promoting mixed-use development for its own sake and other objectives may be necessary. Offsetting incentives, bonuses or flexibilities should be available when a city seeks to achieve multiple, competing objectives.

- *Keep It Simple.* Avoid requirements to provide rental and for-sale housing within the same project unless financing is available for both housing types and can be secured at terms reasonable for the project. If mixed-income housing is to be required in mixed-use projects, cities should avoid overly restrictive requirements on the comparability of features and unit location.

4. Financing Issues

Cities Are Generally Unfamiliar With Lender Requirements and Impacts of City Regulations on Lending Decisions. Mixed-use projects, especially those with a price-restricted rental or for-sale housing component, typically involve multiple sources of debt financing and subsidy. The requirements of various lenders can often be in conflict with one another and with the requirements of the local jurisdiction. This adversely impacts the ability of the developer to satisfy the requirements of and/or the negotiated agreements with lenders and the local jurisdiction. For mixed-use projects in which cities provide financing or other assistance, lenders prefer that the public contribution take a form that can be provided or paid in during project development (e.g., public improvements), rather than a form of assistance that occurs during the operational phase (e.g., rent subsidies). Lenders are uncomfortable with the political uncertainties associated with public sector project assistance in general, and with long-term public sector assistance in particular. Possible city responses include:

- *Consider the requirements of loan programs and their lenders when establishing project conditions and requirements.* The Westside cities need to develop a better understanding about how their requirements (codes, designs, exactions) affect the lender's decisions and parameters for making construction and permanent loans. Where possible, cities should provide opportunities to seek alternative solutions and/or compromises to local requirements that may be in conflict with lender requirements or adversely impact costs to the point of jeopardizing the project's financing. Alternatively, financing assistance should be provided to projects when above-average amenities or other city policy objectives add significant costs to a mixed-use project that cannot be supported by market rents.

- *Focus City Assistance on the Development Phase.* When evaluating opportunities to provide public assistance for a mixed-use project, cities should focus on assistance that can be provided during the development phase of the project.

Time Is Money. The release of funds by lenders to developers to pay for up-front project costs, including land acquisition and pre-development expenses, is often tied to receipt of public approvals for the project. Long delays in the public approval process can increase land carry and pre-development costs (and hence equity requirements), and deplete the developer's pre-construction resources, resulting in abandonment of the project. This may also result in a much shallower pool of developers willing to pursue a mixed-use project. A possible city response is:

- *Create an Expedited Permit Approval Process for Mixed-Use Projects.* For this additional reason, the Westside cities should consider developing a process by which the time required to obtain public approvals is more reliable and shorter, provided the applicant's submittals are complete and within established or negotiated parameters.

Lender Requirements Dictate Project Parameters. Lenders are less familiar with mixed-use as a product type than they are with more traditional residential and commercial uses. They typically discount loan amounts and set lower loan-to-value limits due to the higher level of risk they associate with mixed-use projects. Developers, therefore, are generally required to invest more equity than they typically would for single-use projects, must show evidence of unusually high pre-leasing or sales commitments, and are usually required to provide substantial financial statements and personal guarantees. These financial requirements limit the type of developer who can secure financing for mixed-use projects and increases the threshold project size necessary to generate an acceptable return on investment. In response, the cities should:

- *Learn About Lenders' Needs.* The cities should discuss their commitment to mixed-use development with their local lending community. Together, they should seek ways to create a market context that supports mixed-use projects, and find ways to anticipate and accommodate each other's objectives.

Westside Land Prices Adjust Unusually Slowly in Response to Market and Regulatory Changes. High land cost is a persistent and significant problem for development on the Westside in general, and for riskier product types, such as mixed-use development, in particular. Some land owners have unrealistic expectations regarding the value of their property. They are not willing to sell their land or enter into a joint venture development

because they are unwilling to accept a lower land value that more correctly reflects changes in the economy or more restrictive changes in land use regulations. Although cities have little ability to influence land prices in the short run, they could:

- *Provide Information to Land Owners and Develop Assistance Programs.* Target those areas where the cities want to encourage mixed-use development and work with developers and land owners to achieve mutually acceptable land values through a program of public assistance and/or acquisition and public education.

By taking these actions the Westside Cities Subregion can create a policy and regulatory climate that is conducive to appropriately scaled expressions of mixed-use development.

II. PURPOSE AND SCOPE OF THE ANALYSIS

A. INTRODUCTION

This Report presents the results of research and analysis conducted during 1995 on a specialized real estate development product that combines residential and commercial uses in a single structure of multiple stories, which is generally referred to as "mixed-use" development. As will be discussed below, mixed-used development is attracting increasing interest as a strategy for promoting a variety of "livable cities" planning and transportation objectives. Interest in this concept is particularly strong among residents, decision makers and planners in four cities on the westside of Los Angeles County, California -- Beverly Hills, Culver City, Santa Monica and West Hollywood -- each of which has a tradition of unusually close attention to the design quality, urban character and environmental responsiveness of new real estate projects proposed within their borders. Together with certain unincorporated county areas adjacent to them, these four cities comprise the Westside Cities Subregion, for purposes of a new "bottom up" approach to regional planning in Southern California, as coordinated by the Southern California Association of Governments (SCAG).

The central objective of the analytic undertaking reported herein was to articulate the market, financial, regulatory and institutional issues that today affect the willingness of the development community, both for-profit and not-for-profit, to construct mixed-use projects of the scale most likely to win permit approvals from Westside decision makers. In general, this means mid-rise projects up to about six stories and about 150,000 gross square feet of floor area. In particular, the Westside cities wanted to understand what actions, within their realm of responsibilities, could be taken to stimulate more mixed-use projects within their subregion, either through formal amendments to regulations or procedures that may be impeding mixed-use development, or through more informal actions, such as community education.

This Report was prepared by Hamilton, Rabinovitz & Alschuler, Inc. (HR&A) as part of a series of subregional planning consultation assignments for the Westside Cities Subregion. The scope of the investigation, and preliminary results of the research and analysis, were reviewed in detail with the senior city planning and community development staff of the four Westside cities prior to the completion of this Report. Sole responsibility for what appears on these pages, however, rests entirely with HR&A. The views presented here do not necessarily reflect those of the Westside cities, SCAG, the California Department of Transportation, or the U.S. Department of Transportation, all of which provided a measure of the funding that supported HR&A's work.

B. THE CURRENT WAVE OF INTEREST IN MIXED-USE DEVELOPMENT ON THE WESTSIDE

Definition of Terms

For purposes of this analysis,"small-scale, mixed-use" development projects are those with the following general characteristics:

- *One or more commercial uses plus housing.* Although there are many examples of projects that include several different kinds of commercial (e.g., retail, office, hotel, entertainment) or civic (e.g., convention facilities) uses, principally on the West Coast and in the Midwest in the United States, the interest in mixed-use development among the Westside Cities focusses on projects that also include rental or for-sale multi-family housing. As will become clear in later Chapters, it turns out that at a scale of development appropriate for the Westside, the residential component of small-scale, mixed-use projects is critical to successful financial performance.

- *Uses combined in a single structure.* This analysis focusses on mixed-use not "multi-use" projects. The former is distinguished by vertical integration of different land use categories in a single building; the latter generally refers to several adjacent free-standing buildings with individual uses. Westside development sites, for the most part, are too small and too expensive for multi-use development.

- *Mid-rise scale in the range of 100,000 to 150,000 gross square feet (exclusive of parking).* As will be described below, mixed-use development has its most immediate roots in central city mega-projects developed in the 1960s and 1970s. Given the development envelope allowed in most of the Westside cities, however, and consistent resident antipathy toward projects any larger than mid-rise, the maximum scale of a mixed-use project suited to the Westside Cities Subregion could probably not exceed about six stories in height and 150,000 gross square feet. In fact, all of the completed or proposed examples of mixed-use projects on the Westside, and throughout Southern California, fall at or below this threshold, except for a very few central city projects in Los Angeles, Long Beach and San Diego.

Asserted Values of Mixed-Use Development

The current wave of interest in mixed-use development among Westsiders and others has many sources. Planners, architects, social scientists, and even a few brave real estate professionals, have extolled perceived virtues of mixing land uses in a single building for decades. The positive social, environmental and financial values and other benefits thought to result from mixed-use projects include:

- *Supports compact, infill development strategies, and their associated environmental benefits.* The leading proponents of this perspective today are the so-called "new urbanists," who advocate, among other things, complete and integrated communities containing a mix of housing types, shops, work places, recreation opportunities, civic facilities, access to transit and other uses essential to daily life, and emphasizes placing these uses within walking distance of one another.[1] Mixed-use development is an obvious means for accomplishing these objectives.

- *Contributes to a more lively, 24-hour urban environment that helps change the perception of "city life."* This is the guiding force behind many efforts to catalyze, most still unsuccessfully, a central city housing market capable of producing the "complex order of mingled uses"[2] that is the very essence of urban vitality. Mixed-use development projects are often cited as one strategy for doing so, though sports stadia seem to be the preferred people bait of the moment.

- *Provides opportunities to co-locate housing and employment, reduce commuting and reduce associated traffic congestion and air pollution.* Again, mixed-use development has been cited as one way to achieve "jobs-housing balance," a superficially attractive, but rather impractical growth management strategy.[3]

- *Provides new opportunities for additional housing in general and affordable housing in particular.* Those who share this reason for supporting mixed-use development view it is one more element of a multi-dimensional approach to an

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[1] See generally, Peter Katz, *The New Urbanism, Toward an Architecture of Community,* McGraw-Hill, 1994.

[2] Jane Jacobs, *The Death and Life of Great American Cities*, Random House, 1961, at p. 222.

[3] See, Edward K. Hamilton, Francine F. Rabinovitz, John H. Alschuler and Paul J. Silvern, "Applying the Concept of Jobs-Housing Balance," 50 *Urban Land*, No. 10, October 1991, pp. 15-18.

overall strategy to increase the supply of housing affordable to lower-income households, especially seniors if other services and transit are near by. Unfortunately, this has also played into the hands of critics who view housing above commercial uses as being *only* attractive to lower-income households, though evidence to the contrary abounds, along with growing numbers of non-traditional households seeking alternative housing accommodations.

- *Supports the ridership base if constructed near a transit system.* Transit boosters view higher-density, mixed-use development around fixed rail and other transportation centers as a way to increase both the demand for transit usage and opportunities for rider-supportive commercial uses near stations.[4]

- *Spreads financial risks among several land uses.* Given the cyclical nature of the development market, some developers and investors (though very few lenders) consider mixed-use development as a way to hedge their bets over time. For central city sites where retailers compete with shopping centers in outlying areas, the addition of a captive on-site market of residents and office workers can be an advantage. The convenience of on-site retail is also a marketing advantage for leasing office and residential space.[5]

- *Provides opportunities for novel design solutions to express and accommodate multiple land uses.* Some urban designers, architects and planners value the challenge to design creativity that mixed-use development provides, due to the practical and aesthetic need to both express the separate identities of the uses and meld them into a cohesive urban statement.[6]

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[4] See for example, Robert Cervero, *Transit-Supportive Development in the United States: Experience and Prsopects*, National Transit Access Center, U.C. Berkeley, March 1994.

[5] See for example, Dorothy Walton, "The Challenges of Marketing Mixed-Use Properties," *Journal of Property Management*, November/December 1991, pp. 30-34.

[6] See generally, Johannes Van Tilburg, "Living Above the Store, L.A.-Style, 51 *Urban Land*, No. 10, October, 1992, pp. 66-72.

Historical Precedents

The historical roots of this development form are many:

- *Medieval town planning.* Small, compact, walled communities arranged for easy defense and ease of personal accessibility often featured low-rise and mid-rise structures that combined several uses, including housing.

- *Dominance of the city center during the industrial evolution of North American and European cities.* As commerce moved from farms to cities, the attendant concentrations of people in an era before zoning institutionalized the separation of land uses resulted in building forms where shopkeepers and others resided above ground floor stores, restaurants and pubs.[7] Later, five- and six-story walk-up apartments with retail uses on the ground floor emerged. As central city densities increased over time, and construction technology became more sophisticated, so did the scale of buildings with residential-over-retail uses. These building forms were very rare in the Sunbelt cities, including Los Angeles, however, where there was ample space to separate residences from commerce.

- *Central city high-rise office buildings, shopping centers and Planned Unit Development in the post-World War II era.* Changes in the national economy following World War II spawned an explosive demand for office space in the nation's major cities, retailing in the form of shopping centers and their mix of commercial uses, and large-scale, master planned residential projects with support uses. Coupled with high land costs, and in some cases Federal financial support for large-scale "blight clearance," a number of major high-rise office and retail towers and building complexes were constructed during the 1960s and 1970s. New York's Rockefeller Center, with its mix of office, retail and entertainment uses was a major influence on this trend (built in stages, the first during the 1930s and the second between 1946 and 1975). These mega-projects institutionalized mixed-use development as a formal real estate product category, complete with its own "MXD" shorthand reference.[8]

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[7] It bears remembering that the landmark U.S. Supreme Court case that established the validity of zoning regulations, *Village of Euclid v. Ambler Realty Co.* (272 U.S. 365, 47 S.Ct. 114, 71 L.Ed. 303, 1926), had at its core, a conclusion that apartment buildings were a business or trade, properly excluded from the Village's residential neighborhoods because they "came very near to being nuisances."

[8] Credit for this designation, and for formal recognition of mixed-use development as a special development product, is generally attributed to the Urban Land Institute (ULI) and its original study of it (Gladstone Associates,

- *Multi-use suburban office and retail centers and business parks.* More recently, the intensification of commercial use in the suburbs has also seen a move toward multi-use (though not truly mixed-use), master planned developments. Examples closer to home include Century City, with its mix of hotels, office towers, apartments and condominiums, and Newport Center in Irvine, with office buildings, hotels and apartment buildings surrounding the Fashion Island shopping center. The proliferation of suburban business parks or campuses, and the need to provide retail, child care and exercise facilities and other amenities for office workers, is another dimension of this same trend, often at a scale more in keeping with Westside sensibilities.

Despite a few high-profile projects, and much experimentation, the small-scale, mixed-use concept still has not found much acceptance in the development community, and continues to meet resistance in some Los Angeles area communities and neighborhoods because its scale and character differ from more conventional single-use developments. "Mixed-use" may still be too closely tied to images of Chicago's John Hancock Center, the Houston Galleria or New York's Trump Tower, for Southern Californians still fixated on a single-family neighborhood scale of development. It is hoped that this Report will help the Westside Cities Subregion to begin reconciling these divergent images as they search for an appropriately scaled expression of mixed-use development that is capable of achieving the lofty benefits ascribed to it.

C. ORGANIZATION OF THE REPORT

The remaining sections of this Report are the following:

- ***Chapter III*** summarizes the policy framework and regulatory regime now in place in each of the four Westside cities, the City of Los Angeles and the County of Los Angeles, with regard to mixed-use development. These policies and regulations were the basis for the mixed-use prototypes analyzed in Chapter V. A future Addendum to this Report will provide and update on theses policies and regulations, all of which are undergoing minor to major modification as this Report was finished.

Mixed-Use Development: New Ways of Land Use, 1976), which was updated in 1987 (ULI, *Mixed-Use Development Handbook*, 1987).

- ***Chapter IV*** presents case studies of five existing mixed-use projects on the Westside and elsewhere. The case studies draw on the experience of actual mixed-use development projects to illuminate the question of what local government could do to facilitate future mixed-use projects. The case studies also identify other general issues about this product type, including design, marketing and finance issues, that may affect the private sector's willingness to construct this form of development. The future Addendum will also provide updated information about each of these projects, focussing on long-term operational implications for mixed-use projects.

- ***Chapter V*** presents an analysis of the financial feasibility of four prototypical mixed-use development projects, one in each Westside city, that was created in schematic design form with assistance from Metcalfe Associates. The feasibility analysis was based on an adaptation of a computer simulation model developed by The Natelson Company, Inc., for use in evaluating mixed-use projects in the City of Los Angeles. The Chapter provides a narrative and graphic explanation of each city's mixed-use prototype, including a discussion of how city-specific zoning and other regulations were applied to each prototype. The feasibility results for each prototype are reported, under a baseline case, and for each of several possible changes that reflect alternative actions within the control of the cites, such as increasing buildable project area and reducing the amount of parking.

- ***Chapter VI*** summarizes some of the most significant problems identified in the preceding Chapters that are impeding development of mixed-use projects on the Westside, and identifies actions the cities could take to change their development standards, project review and approval procedures, building codes and inspection process, and to address various marketing and financing problems.

The appendices include an inventory of mixed-use projects from which the case studies were drawn, data sheets on each of the four mixed-use prototypes showing the key assumptions used on the feasibility model, and the 10-year cash flow statement for each prototype.

III. MIXED-USE DEVELOPMENT POLICIES AND REGULATIONS ON THE WESTSIDE

This Chapter summarizes the regulatory regime now in place in each of the Westside cities which would come into play in considering a prospective mixed-use development project. These regulations were the basis for the assumptions used in developing the prototypical mixed-use projects analyzed in Chapter V. Due to the evolving nature of these policies and regulations, an update addendum to this Chapter will be prepared in the future.

A. THE CITY OF BEVERLY HILLS

General Plan. The City's newest Housing Element includes a goal to expand the variety of housing products in the City, an objective to develop standards for mixed commercial and residential uses, and an implementation program to study the feasibility of and develop standards for mixed-residential-commercial structures, with and without low-income housing components, including additional height, in areas zoned for commercial use, including seven specified areas.[9]

Current Zoning Code Regulations. The City's RMCP zone permits mixed-use development with a Conditional Use Permit,[10] but only if the project's floor area includes at least 75 percent public parking, or 33 percent public parking if senior housing accounts for one-third of the floor area.[11] Project height is limited to 40 feet with no senior housing, or 60 feet if all upper floors are senior housing. This zone was established to specifically permit development of the one mixed-use project developed to date in Beverly Hills (grocery, senior housing and public parking-- see Chapter V).

B. THE CITY OF CULVER CITY

General Plan. The City's 1978 General Plan Land Use Element included only a statement that residential use can coexist compatibly with commercial uses, but cannot coexist compatibly with industrial uses. There was no direct reference to mixed-use development.

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[9] City of Beverly Hills, *Housing Element*, Goal 4, Objective 4.3 and Program 4.3, respectively.

[10] Beverly Hills Municipal Code (BHMC) §§ 10-3.1231.

[11] BHMC § 10.3-1236.

The City's new Draft General Plan, now in the approval process, includes policies relevant to mixed-use development. The Draft Land Use Element identifies mixed use development as a permitted use in the Commercial Neighborhood-Serving Corridor and Downtown areas, and permits limited medium-density housing in the Commercial General Corridor, if it is compatible with adjacent residential neighborhoods.[12] Consistent with a goal promoting neighborhoods offering residents the qualities of a peaceful, small-town environment, the Draft Element includes policies to develop standards and guidelines for development of residential units in appropriate commercial areas, and in industrial areas as part of Specific Plan efforts.[13] The Draft Housing Element includes related policies. One such policy would allow residential development in industrial and commercial areas, except on Washington Boulevard west of McLaughlin Avenue, provided such development protects residents from adjacent uses and reinforces the primary character and use of the area.[14] A second policy emphasizes mixed residential-commercial development on the south side of Culver Boulevard between Overland and Madison Avenues.[15] An implementation measure calls for revising the zoning code to permit residential development in commercial or industrial zones to exceed the Medium Density Multiple Family Dwelling (R-4) District's nine units per lot limit.[16]

The Culver City City Council is expected to act on the General Plan update toward the end of 1996.

Current Zoning Code Regulations. There is no existing zoning regulation that specifically permits mixed-use development in Culver City. Residential uses are permitted in all of the City's commercial zones, and with a conditional use permit, in the Light Manufacturing zone. This would allow a mixed-use residential/commercial project, but subject to the density, parking, unit size, open space and storage requirements of the City's Medium Density Multiple Family Dwelling (R-4) District standards. The building setback and height requirements, however, would be governed by the standards for the zone in which the property is located. There are currently no incentives in place to specifically encourage development of mixed use projects.

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[12] General Plan Advisory Committee's Draft General Plan, Land Use Element, at p. LU-13 and LU-14.

[13] *Id.*, Policies 2.E. and 2.F., respectively, at p. LU-23.

[14] General Plan Advisory Committee's Draft General Plan, Housing Element, Policy 1.D at p. H-43.

[15] *Id.*, Policy 1.E.

[16] *Id.*, Implementation Measure 6B.

Recently, a new overlay zone was established to promote revitalization along Washington Boulevard between National Boulevard and Fairfax Avenue. Although the City's planning staff promoted the concept of mixed residential and commercial development, the final ordinance further restricted housing units to live-work situations in which the dwelling units can be occupied only by the business proprietor or managing employee of the business located in the building.

C. THE CITY OF SANTA MONICA

Among the four Westside cities, Santa Monica has the most experience encouraging and regulating mixed-use development. As shown in Appendix A, there are about a dozen mixed-use projects in the City, most of which were completed in the early 1990s. They range in scale from about 6,000 gross square feet with ground floor storefronts and a few second floor dwelling units, to the seven-story Janss Court project on the Third Street Promenade with restaurants, a movie theater, office space and 32 apartments (see Chapter V).

General Plan. The Land Use Element of the City's General Plan contains policy language encouraging mixed-use developments in several ways. It designates specific areas of the City where mixed-use development is encouraged, including the Broadway Mixed-Use District located along Broadway between downtown and 19th Court,[17] the Oceanfront District,[18] which combines visitor-serving uses with existing and new residential uses, and the Element allows live/work studios for artists in the Industrial Conservation District.[19] In addition, the Land Use Element makes housing an allowable use in all commercial districts.[20] A new zoning district designation and accompanying development standards that would permit mixed-use development in an industrial areas of the City is also under review. The Light Manufacturing/Studio District Development Standards, in their present draft form, would allow residential uses in limited areas, but would not provide any bonuses to encourage residential development.

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[17] City of Santa Monica, *Land Use and Circulation Elements*, October 23, 1984, at pp. 60, 73 and Policy 1.6.3, at p. 90.

[18] *Id.*, Policy 1.5.8, at pp. 88-89.

[19] *Id.*, Policy 1.10.3, at p. 97.

[20] *Id.*, Policy 1.10.2, at p. 97.

In addition to the General Plan, Santa Monica has adopted several Specific Plans for subareas of the City which also encourage mixed-use development.

Santa Monica Civic Center Specific Plan. The Civic Center Specific Plan[21] allows for mixed-use development between City Hall and Ocean Avenue, on a portion of the property currently owned by the RAND Corporation. The Specific Plan divides this part of the RAND property into three parcels, including one slated for 350 dwelling units and up to 35,000 square feet of live-work space. The other parcels allow 250,000 square feet of general office development and up to 15,000 square feet of neighborhood and visitor-serving commercial uses. Together, these three parcels form an urban village with compatible and complementary land uses.[22]

Third Street Mall Specific Plan. Consistent with the Land Use Element, the Third Street Mall Specific Plan (i.e., the Third Street Promenade) encourages the development of housing within its boundaries. The Housing Element section of the Specific Plan includes an objective to ensure that the Specific Plan area aids in meeting the existing housing needs of the City and that decent, affordable housing opportunities are provided. The Land Use Element section allows for the development of housing above first floor retail, restaurant and entertainment uses. A pending replacement specific plan, the *Bayside District Specific Plan*, proposes to provide similar bonuses to those utilized in the other commercial districts to encourage mixed-use developments with a residential component. Within the District, residential uses would be allowed above the first floor and would be counted at 50 percent for FAR calculation purposes. At some locations within the District, mixed-use developments with residential uses would be allowed an increase in height to six stories from four, and in FAR to 3.5 from 3.0.

The City's Housing Element also includes a policy to encourage and create incentives for the development of housing in conjunction with commercial development where appropriate.[23]

Current Zoning Code Regulations. As a result of an ordinance adopted by the City Council in June, 1993,[24] Santa Monica not only permits, but also provides incentives for mixed-use

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[21] Resolution 8685 (CCS), adopted November 23, 1993, and sustained by City voters on June 7, 1994.

[22] *Id.*, Land Use and Community Design Element, pp. 17-19, 36-41.

[23] City of Santa Monica, *Housing Element*, 1993, Policy A-1.4, at p. 115

[24] Ordinance 1687 (CCS), adopted June 22, 1993.

commercial/residential development in most commercial districts. The incentive comes in the form of a floor area ratio (FAR) bonus. Generally, the FAR bonus applies when 30 percent or more of the proposed project consists of residential uses. In most cases, the amount of the FAR bonus is tied to the size of the parcel. For example, in the C6 Boulevard Commercial District, the allowable FAR decreases as the parcel size increases; however, the allowable FAR remains higher for projects containing at least 30 percent residential uses, as follows:

Table III-1
Maximum Floor Area Ratio in The C6 Boulevard Commercial District, If at Least Thirty Percent of The Project Is Residential,[1] City of Santa Monica

Parcel Area (sf)	Standard FAR	FAR With Residential
7,500 or less	2.00	2.00
7,501-15,000	1.40	2.00
15,001-22,500	1.20	1.75
22,501 or more	1.00	1.50

[1] The same FAR bonus applies if at least 80 percent of the floor area is a grocery store.

Source: City of Santa Monica, SMMC § 9.04.08.26.060 (b)

In addition to the FAR bonus, most commercial districts also do not place a limit on the number of stories in a project if at least one floor is devoted to residential use, although a district-specific maximum height limit still applies. In a few cases, additional building height is also allowed if the project includes residential uses.[25] In still other cases, any floor area devoted to residential units will be counted at 50 percent for purposes of calculating FAR.

[25] In the Broadway Commercial District, a project with at least 50 percent residential floor area may increase its height to three stories and 45 feet, from two stories and 30 feet (SMMC § 9.04.08.14.060). In the C3-C Downtown Overlay District, two extra stories and 20 extra feet in height may be used if the upper two floors are residential (SMMC § 9.04.08.20.060). In the CM-4 (Main Street) District, height may be increased to four stories and 47 feet, from three stories and 35 feet, if at least the fourth floor is residential and the project includes specified upper floor setbacks (SMMC § 9.04.08.28.060 (a)).

Other commercially-zoned areas in the City, including the CP Commercial Professional District, allow residential uses by right[26] or by Conditional Use Permit (C5 and Ml).[27] These provisions, by themselves, facilitate residential uses in non-residentially zoned areas, although no provisions for bonuses are provided. More generally, residential uses are permitted in any commercial zone, subject to certain additional requirements (e.g., setback 50 feet from the front property line if located on the ground floor; direct access to parking; minimum private open space standards).[28]

A residential zone designation near the beach, RVC Residential-Visitor Commercial District, allows visitor-serving uses in a residentially-zoned area. No incentives are provided, however, to encourage residential uses in mixed-use developments.

The zoning ordinance also contains provisions for Reduced Parking Permits, which are intended to permit the reduction of required parking spaces for senior and low-income and moderate-income housing, or when shared parking, tandem parking or in-lieu parking fees are proposed as part of any development. Mixed-use developments which incorporate senior or low- or moderate-income housing may receive reduced parking permits. Shared parking may be utilized if multiple uses cooperatively establish and operate parking facilities and if these uses generate parking demands primarily during hours when the remaining uses are not in operation (i.e. office vs. housing). These provisions are also incentives for mixed-use developments that contain residential uses.

Projects of more than about 22,500 square feet would be subject to a discretionary Development Review Permit. Any variances or other special exceptions to the zoning regulations would be processed concurrently. The scope of environmental review would depend on project specifics.

D. THE CITY OF WEST HOLLYWOOD

Like Santa Monica, West Hollywood's land use policies and regulations specifically encourage and permit mixed-use development.

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[26] SMMC §§ 9.04.08.30.020 (s).

[27] SMMC §§ 9.04.08.24.040 (e) and 9.04.08.34.040 (e).

[28] SMMC § 9.04.10.02.111.

General Plan. The City's 1988 General Plan Land Use Element states that the fundamental principle guiding all land use and urban design policies is the continuation and enhancement of West Hollywood as an "urban village," wherein residents are located in close proximity to commercial services, recreation, transit and pedestrian activity.[29] Other guiding principles include permitting residential uses above lower level commercial uses along key boulevards, including Santa Monica, Sunset, Beverly and La Brea Avenue,[30] and requiring local-serving commercial uses on the ground floor of large-scale, mixed-use projects.[31] One objective of the Land Use Element is to encourage the development of sites which intermix commercial uses with housing.[32] Policies associated with this objective call for establishing regulations and standards which allow residential uses on floors above and/or behind retail and/or office commercial uses, and for the intermixing of commercial and residential uses on key opportunity sites of 60,000 or more square feet.[33] The latter policy is amplified in policy 1.10.4, which addresses consolidation of adjacent multi-family and commercial parcels, and provides further guidance about the location of uses in a mixed-use project.[34] A density bonus is permitted for mixed-use projects that incorporate housing in the East End (Santa Monica Boulevard and La Brea Avenue), along La Brea Avenue, Santa Monica Boulevard (including an extra 10 feet in building height near Warner Hollywood Studios), Fairfax Avenue, in the West End (Santa Monica-Melrose-La Peer Triangle), the San Vicente-Beverly-Sherbourne Triangle, along Sunset Boulevard, and along Beverly Boulevard between Doheny and San Vicente Boulevard.[35]

The City's Housing Element also recognizes mixed-use development as a strategy for increasing the City's housing stock.[36]

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[29] City of West Hollywood, *General Plan*, Land Use and Urban Design Element, at p. 28.

[30] *Id.*, at p. 29.

[31] *Id.*

[32] *Id.*, Objective 1.5, at p. 33.

[33] *Id.*, Policies 1.5.1 and 1.5.2, respectively.

[34] *Id.*, at pp. 36-37.

[35] *Id.*, Policies 1.11.21, 1.12.21, 1.13.21, 1.14.21, 1.15.21, 1.16.21, 1.18.21, 1.19.21, 1.21.21 and 1.23.22; pp. 38-70.

[36] *Id.*, Housing Element, Policy 3.1.4, at p. 143.

Current Zoning Code Regulations. West Hollywood's zoning code permits mixed-use development in commercial zones, provided the residential units (except for artists' lofts) are on the rear portion of the first floor, or the upper floors, and the entire project is subject to the property development standards of the underlying zoning district in which the property is located.[37] Projects of more than 10,000 square feet require a discretionary Development Permit. All projects require site review and design review. Any necessary variances would be processed concurrently with other applications. At a minimum, a traffic impact analysis would be required to process a Negative Declaration, or a full Environmental Impact Report may be required, depending on project specifics.

E. THE CITY OF LOS ANGELES

Although the westside area of the City of Los Angeles is not, technically, a part of the Westside Cities Subregion, it is in fact inextricably linked with the four separately incorporated Westside cities.

The City of Los Angeles has been encouraging mixed-use development to one degree or another for many years, through its Community Plans, a 1991 incentives ordinance, and more recently, the pending General Plan Framework. At this time there are four completed mixed-use projects in Los Angeles, including Venice Renaissance on the Westside (see Chapter IV), and 10 more that have either been approved, but are not yet built, or are still in the approval process.

General Plan. There are several specific references to mixed-use development in the City's 35 Community Plans (i.e., the Los Angeles version of a Land Use Element), particularly those setting policy for high-density areas. For example, projects combining residential and commercial uses are specifically encouraged in Hollywood.[38] Mixed and functionally integrated commercial and residential uses are encouraged in the Westlake area.[39] The Wilshire Plan calls for revising the Municipal Code to provide for "vertical zoning" (i.e.,

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[37] West Hollywood Municipal Code § 9224 (ll).

[38] City of Los Angeles, *Hollywood Plan*, December 13, 1988, as amended, Commerce Land Use Features, at p. HO-2.

[39] City of Los Angeles, *Westlake Community Plan*, adopted September 18, 1974, as amended, Commerce Land Use Features, at p. WE2.

residential uses of the upper floors of high-rise commercial buildings or other use combinations).[40] More generally, the zoning districts that correspond with Community Plan land use designations allow residential uses in virtually all Community Plan-designated commercial areas. Several specific plans also require mixed-use development (e.g., Central City West and Playa Vista).

The General Plan Framework Element, now in the final stages of approval, includes more explicit citywide policies to encourage mixed-use development.[41] The Framework establishes broad overall policy and direction for updating various citywide General Plan Elements and the 35 Community Plans. In particular, the Draft Framework establishes a new Mixed-Use Boulevard land use category for the principal boulevards that connect "districts" and "centers." Projects in this category may integrate housing and community-oriented services with commercial uses, either in a single building or in separate buildings.[42] "Mixed-Use Community Centers," or focal points for communities of about 25,000 to 100,000 population, encourage the development of housing in concert with multi-use commercial.[43] General indications of Mixed-Use Boulevards and Community Centers on the westside are indicated in a Long-Range Land Use Diagram, along with generalized standards for mixed-use projects limiting the commercial uses to about half the available FAR.[44] More specifics are subject to future Community Plan updates.

One objective specifically encourages new multi-family residential, retail commercial and office development in the City's neighborhood districts, community, regional and downtown centers and along transit corridors.[45] The proposed land use standards encourage mixed-use developments in all commercial districts.[46] Policy 3.13.1 encourages commercial uses and

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[40] City of Los Angeles, *Wilshire Plans*, adopted May 17, 1976, as amended, Planning Legislation Program III.E., at p. WI-6.

[41] City of Los Angeles Planning Commission, *Draft General Plan Framework Element*, July 20, 1995

[42] *Id.*, at p. 3.

[43] *Id.*, at p. 3-31.

[44] *Id.*, Land Use Diagrams legend and footnotes.

[45] *Id.*, Policy 3.4.1, at p. 3-24.1.

[46] *Id.*, Land Use Standards, Table 3-1, at p. 3-19.

structures that integrate housing along boulevards,[47] and Policy 3.13.2 allows such projects to contain mixed use projects, multi-use projects or single-use projects (multi-family residential or commercial).[48] One of the Framework's housing objectives calls for offering incentives to include housing for very low- and low-income households in mixed-use projects.[49] Among the Framework's proposed implementation measures are zoning ordinance amendments to establish incentives for mixed-use development .[50]

The City's current Housing Element also includes specific references to mixed-use development, under a goal to provide housing, jobs and services in close proximity.[51] The Housing Element includes an objective is to encourage mixed-use development where appropriate,[52] and a mixed-use related program to assess the effectiveness of the 1991 mixed-use ordinance, create a housing overlay zone along deteriorated or underutilized commercial zones, and develop incentives for residential construction to occur in tandem with new commercial projects.[53]

Current Zoning Code Regulations. The Los Angeles zoning ordinance allows residential uses in all commercial districts, and allows the combination of residential and non-residential uses. Permitted residential densities in commercial districts correspond with the R4 multi-family standards (i.e., up to one unit per 800 square feet of lot area), but the R5 standard (i.e., one unit per 400 square feet of lot area) can be used in certain high-density commercial areas or in the downtown redevelopment project area. Alternatively, commercial and mixed-use are permitted by Conditional Use Permit in the R5 multi-family district within the Central City Community Plan Area. Mixed-use projects may include any of the permitted and conditionally-permitted uses typically allowed in the commercial districts, and there is no limitation or minimum requirements for the proportions of residential or non-residential uses. However, conditions of approval for a mixed-use project may prohibit such uses as

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[47] *Id.*, at p. 3-46.

[48] *Id.*, at p. 3-47.

[49] *Id.*, Policy 4.2.1, at p. 4-7.

[50] *Id.* Program P24, at p. 10-14.1.

[51] City of Los Angeles, *Housing Element*, December 1993, Goal 7, at p. 141.

[52] *Id.*, Objective 7.1.6, at p. 142.

[53] *Id.*, Program P-76, at p. 172.

restaurants in order to minimize perceived impacts on the project's residents. Similarly, restrictions may be placed on hours of operation for the commercial uses, and the times when deliveries and trash pick-up may occur.

Larger projects are subject to site plan approval by the Planning Director, which may include a public hearing. Projects exceeding 100,000 square feet require a Conditional Use Permit. Projects located in a redevelopment project area also require approval by the Board of the Community Redevelopment Agency, which considers design and any public financial assistance. If a variety of special exceptions are required (e.g., zone change, variance, subdivision map), they are processed consecutively, not concurrently.

A mixed-use development incentive ordinance was adopted in 1991[54]. It provides for a substantial increase in FAR (i.e., from 1.5 to 3.0 in Height District 1, from 6.0 to 10.0 in Height District 2, from 6.0 to 12.0 in Height District 3, and up to 12.0 if the project is located within 1,500 feet of a transit station, within a redevelopment project area, enterprise zone or centers study area). But, the FAR bonus requires obtaining a Conditional Use Permit, 20 percent of the units must be set aside for 30 years for occupancy by low-income households, and the amenities and unit mix must be the same for the affordable and market rate units.

F. LOS ANGELES COUNTY

The Westside Cities Subregion includes the unincorporated communities of Marina Del Rey, Baldwin Hills, Ladera Heights, View Park and Windsor Hills.

General Plan. Although the County's General Plan acknowledges the desirability of co-locating housing, particularly for lower-income households, near employment opportunities,[55] there are no objectives or policies in the Land Use Element of the County's General Plan that specifically encourage mixed-use development. Mixed-use is permitted, however, through specific plans (e.g., Marina Del Rey Local Coastal Plan).

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[54] City of Los Angeles, Ordinance 167,417.

[55] See, for example, County of Los Angeles, *County of Los Angeles General Plan*, Housing Chapter, November 2, 1989, Policy 17, at p. H-19; General Goals and Policies Chapter, Policy 4, at p. G-4 and Policies 51 and 53, at p. G-8

Current Zoning Code Regulations. The County's zoning ordinance includes a special purpose MXD Mixed Use Development Zone,[56] which provides the opportunity to combine various land uses in well-planned developments which may contain multi-use buildings or several single-purpose buildings each containing a different use. A project in the MXD Zone is subject to a Conditional Use Permit if it includes uses otherwise permitted in the R4 high-density zone, M-1 manufacturing zone, A-C arts and crafts zone, or SR-D scientific research and development zone. The MXD Zone is intended to apply to sites of five acres or more, with certain exceptions. Building coverage is limited to 50 percent of the site, open space must comprise at least 30 percent of the site area, and the maximum FAR is 2.0. In granting a CUP, the hearing examiner may modify the otherwise applicable parking standards, but the project must include at least one space per dwelling unit and at least half the otherwise required parking for public assembly, commercial or industrial uses. In addition to broad discretion with regard to project design and arrangement of uses, the hearing examiner may impose conditions related to hours of operation, operating restrictions and performance standards. The ordinance includes general performance standards for noise, emissions, heat and glare, vibration and loading, and also addresses a development schedule.

[56] Los Angeles County Code (LACC) §§ 22.40.510 and 22.40.520.

IV. CASE STUDIES OF FIVE EXISTING MIXED-USE PROJECTS

This Chapter presents five case studies of existing mixed-use development projects. The purpose of the case studies was to draw on the experience of actual mixed-use development projects to illuminate the question of what local government could do to facilitate future mixed-use projects. The case studies were also intended to identify other general issues about this product type, including design, marketing and finance issues, that may affect the private sector's willingness to construct this form of development. A future addendum to this Report will provide updated information about each of these projects, focussing on long-term operational implications for mixed-use projects.

A. OVERVIEW

Selection Criteria. The five specific projects chosen for case studies were selected from an inventory of small-scale mixed-use projects in Southern California compiled by the HR&A project team (see Appendix A to the full Report). Among the selection criteria of particular importance were that:

- the projects be of a scale that Westside city planners believe would be able to win approval in their jurisdictions (i.e., less than or equal to 150,000 gross square feet; six or fewer stories in height);
- the projects include a residential use and at least one commercial use;
- the project was completed and in operation, or very close to completion, so that operational issues could be explored; and
- a mix of privately financed and publicly-assisted examples.

It was also necessary that the project participants be willing to share their experience and data about the project with the HR&A project team. Whenever possible, the project's developer, architect and construction and/or permanent lender were interviewed, using a semi-structured interview protocol. In a few cases, this information was supplemented with published information about the project.

The characteristics of the five case study projects, and the key project participants are summarized in Table IV-1, on the following page.

Table IV-1.
Summary Characteristics of the Mixed-Use Project Case Studies

Project	Characteristics	Developer	Architect	Lender
Venice Renaissance Main Street Venice	66 condos and 23 rentals for seniors 20,000 sf retail 69,700 sf site	Harlan Lee & Associates	Johannes Van Tilburg	Chase Manhattan; Bank of America
Wilshire/Wellesley West Los Angeles	60 condos (20% affordable) 8,000 sf retail 28,000 sf site	Dkoby Enterprises	Johannes Van Tilburg	General Bank, Alhambra
Janss Court 3rd Street Promenade Santa Monica	32 market-rate rentals 51,000 sf office 13,000 sf retail 21,000 sf movie theater 30,000 sf site	Janss Corp.	Johannes Van Tilburg	Bank of Montreal
Senior Housing/Mrs. Gooch's/Public Parking Beverly Hills	150 rentals for low-income seniors 26,000 sf retail 877 public parking spaces 65,300 sf site	Menorah Hsg. Foundation; City of Beverly Hills	Kamnitzer & Cotton	HUD; City of Beverly Hills
Wilshire Promenade Fullerton	128 rental units (20% affordable) 12,500 sf retail 65,300 sf site	Howard Platz Group	McClaren Vasquez & Partners	National Bank of Canada

Source: HR&A

Case Study Format. Each case study is presented in a consistent format that includes a general description of the project and its use components, exterior photographs of the project, and a summary of the interviewees' comments, observations and suggestions for facilitating future mixed-use development projects.

B. CASE #1: VENICE RENAISSANCE

General Description of the Project. The Venice Renaissance project consists of 132,400 gross square feet on a 1.6 acre site fronting Main Street in the Venice community of the City of Los Angeles, about two blocks from the Pacific Ocean.

The Project Development Team. The project was developed by Harlan Lee & Associates and The Anden Group. The architect was Johannes Van Tilburg & Partners, which has perhaps the most experience of any architectural firm with mixed-use development in the Los Angeles area. The construction lender was Chase Manhattan Bank and the permanent lender was Continental Bank, which was later acquired by Bank of America.

Density and Building Height. The project's floor area ratio is 1.90 (not including the parking) and the residential density is 55.6 units per acre. The building is four stories in height.

Land Use Mix. This project includes three levels of housing above 30,000 square feet of ground floor commercial space:

- *Retail.* The retail space includes 10,000 square feet of restaurants (first North Beach Cafe and now Koo Koo Roo, and Chaya Brasserie) and 20,000 square feet of general retail.

- *Residential.* The project includes 66 market-rate condominiums and 23 rent-restricted apartments for seniors. There is a wide range of unit types to take advantage of ocean views. There are five basic floor plans and a total of nine variations, including one with three levels (loft and roof deck). The seniors rentals are all on the Main Street side of the project

Parking Requirements. The project includes 473 parking spaces on three levels, two of which are below grade. City requirements for an additional 105 spaces for beach users and neighborhood residents necessitated a second subterranean parking level. Parking issues that arose included:

- *The City counted parking for each use separately.* This project was required to have 2.5 spaces for each condo, a half space per unit for seniors rentals, four spaces per 1,000 sf for commercial uses, one space per 50 seats for restaurants and additional parking for community and beach access. In other words, the project had to provide full parking for each separate land use component, plus 110 spaces for public beach

Venice Renaissance
NWC of Main Street
and Rose Avenue
Venice, CA

Front and side view,
looking north

Front view,
looking northwest

Front view,
looking southwest

Venice Renaissance
NWC of Main Street
and Rose Avenue
Venice, CA

Side view,
looking northeast

Rear view,
looking north

access. The City offered no reductions in recognition of the mix of uses, and their overlapping parking demand.

- *Too much parking was required for actual needs.* The developer and project architect found the City's parking requirement much too high for the needs of a mixed-use project. More than half of the condo units were bought by single people with one car, who do not use the extra spaces required by the City. When the commercial stores close, guests park in those spaces. Other uses for the extra parking have been considered since construction was completed in order to generate income to support the project and to offset the added project costs. For example, surplus parking was rented to residents and businesses in the surrounding area. No matter what was done, however, the $1 million to $2 million in additional capital outlay needed to construct the City-required parking was not and could not ever be offset.

Entitlements Required. The project was developed between 1984 and 1989, including a 30-month approval process involving a General Plan amendment, zone change, variances and numerous public hearings and community meetings, and a 27-month construction period.

According to the developer, the Los Angeles City Planning Department "cut its teeth" on this project. The City had never entitled a mixed-use project like this one before, and it necessitated working within a rules structure that did not envision such projects. For example:

- A Community Plan amendment and subdivision tract map were needed for the condominiums. A yard variance was also needed for the residential use above the commercial use, along with 10 other variances of various kinds. The City wanted to apply R3 yard setbacks for the upper floor residential units even though the project was in a C4 (highway commercial) zone.

- The project involved vacating a street and had just come under Proposition U, whereby the previously allowed floor area ratio was reduced to 1.5 to 1. A zone change was required to achieve the required 1.9 FAR.

- There was no adopted Local Coastal Plan in Venice. Once the project received Coastal Commission approval, a Conditional Use Permit was needed for the restaurants in order to enable them to serve alcohol and stay open past 11:00 p.m. A "shared parking" permit was also required in order to valet park in the aisles on weekends during the day.

The developer's extensive efforts to rally community support for the project were critical to winning discretionary permit approvals. Nevertheless, the extended time needed to process the various permits, which were required to be performed in series, and not concurrently, were a major financial burden, according to the developer, and significantly interfered with his ability to secure project financing.

Design Issues. The ground floor arches were problematic. They were needed to appease the neighbors and help the project blend with perceptions about what Venice should look like. They also contributed to the feel of the residential component. Traditional retailers hated the arches because they wanted signs on the building, directly in front of their store, for exposure. The arches blocked the storefront signs. All of the retailers wanted more exterior individuality; one of the restaurants went so far as to remove the arches. In response, the architect introduced awnings and different color paint for some retailers and for the gym, and planters for the other restaurant.

The project is well known for its prominent public art pieces -- the Jonathan Borofsky "Ballerina Clown" above the Main Street/Rose Avenue corner and Guy Dills' "Harmic Arch" suspended over the entrance to the motor court and garage. These works were also part of a strategy to connect the project to the Venice community, in this case through the work of two of its best known artists.

Building Code Requirements and Construction Inspection Issues. The developer and architect encountered many kinds of building code problems with the project, including fire ratings for courtyards and exterior walls, questions about the appropriate type of construction, exit stair requirements, separation walls between housing and retail, differences between building and fire department regulations, penetrations between two occupancies, fire doors, and fire curtains. Again, this was a problem of the City not having established rules for this type of development, and being unwilling to adapt the rules that typically apply to individual uses when they are on separate parcels. Specific issues included:

- *Use separations.* The use separation problems resulted in the creation of masonry walls, front to back in the retail section of the building. This made it hard to subdivide the space and created store depths that were too deep.

- *Construction type.* Office above retail is easier in terms of mixed-use, because there are not as many plumbing lines. Had it not been for the restaurants, the whole project could have been Type V construction (wood frame) and only one level of subterranean parking would have been needed. But the income from the restaurants was critical to the project's feasibility.

- *Inconsistent interpretation of code requirements.* The project was also a victim of the general lack of agreement between the City's Building Department and the Fire Department on the ground rules which should govern building design. Resolving these inter-departmental differences required hiring "code consultants" to negotiate various code issues with the departments. Once preliminary plan and building code checks had been passed, these approvals should have been binding on all future approvals, in the development team's view, but they were not.

- *Inspector turnover.* There were 25 or 30 different building inspectors who visited the job site, not just because of all the trades involved, but because inspectors in the same department would change about every six months. Each one interpreted the building code differently, causing numerous construction modifications. The resulting delays were costly in terms of dollars and good will.

Development Costs. Project costs were approximately $29.7 million or $224 per square foot, including $3.2 million for land, $2.7 million for site improvements, $15 million for construction and $8.7 million for soft costs.

Marketing and Lease-up Experience. Had it not been for the delays in processing entitlements and the added time in construction due to new inspectors and new requirements with each new inspector, the developer believes he could have sold all the units in 1988. But the project got caught in the retail market downturn in 1989 and 1990. The retail would not lease, which affected the sale of the condos. The extended time in delays and construction resulted in the project missing the market.

- *Retail issues.* A weakening retail market resulted in a greatly extended lease-up schedule. There are limited locations in the City where this product type can be successful, the developer believes. The retail users need a lot of foot traffic to generate sales. At Venice Renaissance, the "in-between" retail spaces (middle section) were too deep (65 feet). Maximum lease depth should have been 35 feet to enable leasing 700 to 800 square foot spaces. The middle section was finally taken by Powerhouse health club. The corner spaces were much easier to lease, particularly to restaurants.

- *Residential issues.* Strong demand for housing resulted in selling and leasing of the residential units in a timely manner. The condominium units, all two-bedrooms ranging in size from 1,200 to 1,700 square feet, sold for between $240,000 and $500,000. All of the rental units are occupied. The residents at Venice Renaissance love living there, the developer reports. Many moved from inner city locations. They

love being close to services and the beach and a higher amenity urban lifestyle. The large number of single-woman households reflects a perception that the project's security features were a very important selection criterion, including the fact that the units were at the more inaccessible second story level and above.

Project Financing and Financing Issues. The lender initially had concerns about the ability to sell housing units over commercial space. The lender feels that the developer was lucky with Venice Renaissance. Had it been a more normal market, with more traditional housing options, the lender is not sure how well the residential component would have fared. With a dramatically changed lending environment, lenders now expect to review the financial statement of a project's financial partner and require loan guarantees in order to provide a decent loan to value ratio for a project. Small, unsophisticated developers probably cannot complete these kinds of projects with conventional financing, according to the project's construction lender.

At Venice Renaissance, the construction loan was repaid primarily out of the proceeds of the condo sales. The balance was secured by the income-producing portion of the project; the permanent loan eventually took out the unpaid balance.

In the view of the project's lender, the standard 13% to 15% internal rate of return that is acceptable for single-use residential or commercial projects is not enough to compensate for the added problems and risk involved in mixed-use development. A 20% IRR was recommended as a more appropriate threshold for minimum project feasibility.

C. CASE #2: WILSHIRE WELLESLEY

General Project Description. The Wilshire Wellesley project is located on Wilshire Boulevard near Wellesley Avenue in the Brentwood area of the City of Los Angeles, near the Santa Monica border. The project includes 82,500 gross square feet on a 0.63-acre site. This project was under construction at the time the case study was prepared.

The Project Development Team. The project is being developed by Dkoby Enterprises, Inc. Johannes Van Tilburg & Partners is the architect. General Bank of Alhambra provided the construction loan.

Density and Building Height. The FAR is 3.0 and it has a residential density of 95 units per acre. The buildings will be five and six stories in height.

Wilshire Wellesley
SEC of Wilshire
and Wellesley
Los Angeles, CA

Front view,
looking southeast

Side view,
looking south

Front view,
looking west

Wilshire Wellesley
SEC of Wilshire
and Wellesley
Los Angeles, CA

Front view,
looking east

Side view,
looking south

Land Use Mix. When complete, it will contain a combination of 48 market-rate condominiums and 12 price-restricted condominiums above 6,000 square feet of ground floor retail space.

- *Retail.* The retail mix will affect the rate of sale of the residential units. This project needs particular retail tenants to enhance the marketing of the units, the developer believes. Tenants want convenience and "boutique" kinds of retail, such as a gourmet food store, coffee shop, wine and cheese store or vitamin/health food store.

  The developer received many inquiries from retail tenants interested in pre-leasing, but the marketing strategy was to preclude any pre-leasing until the project nears completion. The developer felt that market rents will rise prior to the completion of construction and that continued market strengthening will increase the possibility of securing triple-A tenants and nationwide chains. The developer credited the strong interest from retailers to the highly visible and recognized Wilshire Boulevard location and the upscale Brentwood community.

- *Housing.* All the market rate units are on floors 3 through 6 where they get clear views of the ocean and Century City. The low- income units are on the second floor. The City of Los Angeles initially required the lower-income units to be comparable to the market rate units without stipulation as to size or location within the building. Then, on the last day of the public hearing process, several members of the City Council questioned the definition of comparability. Another Council member was able to persuade his colleagues that those issues should have be addressed up-front when a developer first brought the project before the City, and that to request the developer to make a change in the design at this late date would be very costly.

Parking Requirements. The project includes 180 parking spaces in three levels, two of which are below grade. The City required the same number of parking spaces per unit for the affordable condos as the market-rate condos, which this developer believes is unnecessary, because the lower-income households generally have fewer cars than upper-income households.

Entitlements Required. The project's approval process extended over a three-year period and included the granting of a conditional use permit and subdivision tract map. This project was processed under a 1991 mixed-use ordinance designed to address problems encountered with previous mixed-use projects, such as the Venice Renaissance profiled above. The decision to include low-income units in order to qualify for a density bonus (as permitted),

triggered the need for a conditional use permit. This discretionary process alone took about one year to compete.

The zoning for the site was changed from C2 and an FAR of 1.5, to R3 and an FAR of 3.0. The developer wanted at least an R4 or R5 zoning and density. The site is surrounded by high-rise office buildings. Limiting density was felt by the developer to be inconsistent with the adjacent land uses.

Development Costs. Total project costs are estimated to be $14.2 million or $172 per square foot, not including land costs. Construction costs were estimated to be $8.5 million.

Marketing and Lease-up Experience. The developer attributes the strong interest in both the residential and retail space to location. Brentwood and the Westside are a strong and growing market for higher density, mixed-use living. The developer identifies the area as the last "hold-out" for people moving from Hollywood and Burbank and places east, especially for people associated with the entertainment industry.

The project also offers tenants an opportunity to own a home with all the amenities at a lower cost than a single-family house. The amenities are generous, including a Jacuzzi, billiard room, conference room, party room, etc. and the homeowners' fees are about $300 per month. The project competes with the Wilshire corridor condos in Westwood, which is significantly farther from the ocean and is reported by the developer to have three times the homeowners' association fee.

- *Market rate units.* The market-rate units will be 1,300 to 1,600 square in size and be priced up to $600,000. The developer worries that lower-income households will not be considered desirable neighbors by market-rate households in the same complex, regardless of whether the units are rentals or condos.

- *Affordable units.* The price-restricted units will be 800 to 900 square feet in size and will priced up to $110,000. The developer has been approached by mostly lower-income professionals for the 12 low-income units (max. price $110,000), for which there is a full waiting list.

- *Retail uses.* The developer envisions the retail space being occupied by three tenants of approximately 2,000 square feet each.

Project Financing and Financing Issues. The construction lender is primarily a residential lender. This project is all condos, *including* the retail. The lender generally uses a 65 % loan

to value ratio, and for mixed-use projects with higher-end units the bank typically uses a 55% to 65% loan to value ratio. For the Wilshire Wellesley project, the bank used a 55% loan to value ratio. If the end buyers want individual home loans, the bank will also consider underwriting those. While the loan to value is 55%, the loan to cost ratio is closer to 70%.

The lender considers the project's location to be good for residential and mixed-use development and may consider doing other projects like this one in other locations. However, this is the bank's only mixed-use project and it generally does not consider loans for retail or mixed-use products. The bank evaluates the real estate strictly on the merits of the product in the market place. It does not consider local regulatory policies and constraints.

D. CASE #3: JANSS COURT

General Description of the Project. This project contains 131,000 square feet on a 0.69-acre site at the corner of Broadway and the Third Street Promenade in the City of Santa Monica. At the time of its development, it was viewed by the City and the local business community as a key demonstration of faith in the revitalization of the Promenade, and a leading example of the possibilities for mixed-use development in the City.

The Project Development Team. The project was developed by Janss Corporation, with substantial equity from MKDG (Marvin Davis and partners), between 1986 and 1988. The project architect was Johannes Van Tilburg & Partners. The construction lender was the Bank of Montreal.

Density and Building Height. The FAR is 4.0 and it has a residential density of 46.5 units per acre. The building is seven stories high.

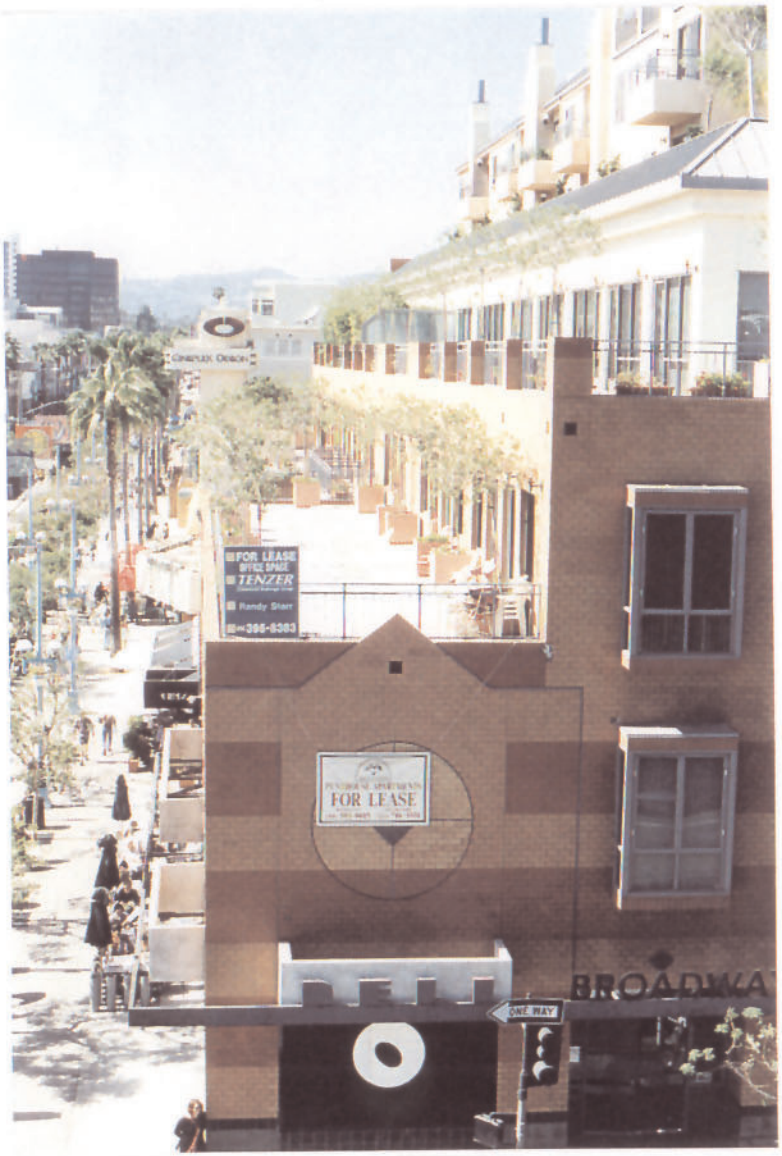
Land Use Mix. This project includes 32 market-rate apartments and 50,880 square feet of office space above 33,800 square feet of commercial space, including a fourplex movie theater of 20,700 square feet and two restaurants comprising 13,100 square feet.

- *Retail Uses*. Here again is an example where the commercial portion of the project does not necessarily drive the economics of the project. With the Janss project, residential rents approximate commercial rents. Residential rents are about $2.00/sf and commercial rent is $2.00 to $2.50/sf (plus percentages of gross for the two restaurants).

Janss Court
NEC of Broadway
and 3rd St. Promenade
Santa Monica, CA

Front and side view,
looking north

Side view,



Janss Court
NEC of Broadway
and 3rd St. Promenade
Santa Monica, CA

Side and upper level view,
looking north

Rear view,
looking north

The retail tenants include a four-screen Cineplex Odeon, an upscale Italian bistro and a popular deli, all of which enjoy substantial walk-in patronage generated by the Third Street Promenade.

- *Housing.* The residential uses were originally considered to be the riskiest component of the project because of the untested downtown market. The units have reportedly maintained very high occupancies, at least until the extent of the 1994 Northridge earthquake damage became known.
  Santa Monica's current requirement that 30% of all units in new apartment and condo projects be affordable to low- and moderate-income households did not apply at the time this project was approved, and there are no affordable units in the project. The project architect believes that the residential component of the project would not have been feasible had this current requirement applied to the project.

Parking Requirements. Three and one-half levels of subterranean parking, including 203 spaces, for residential and office users are provided, although no parking was required by the City for commercial uses due to the public parking structures nearby. Some on-site parking was perceived to be needed for the office space (at about half the otherwise-applicable code standard) to meet market demand. Also, tandem parking was provided for the residential units in order to satisfy prospective tenants. Relying on the City's parking structures for self-park and valet parking for the ground floor restaurants and movie theater saved the cost of 650 parking spaces that would have otherwise been required.

Entitlements Required. The project was one of the first to be developed under the City's Bayside District Specific Plan, which specifically encouraged mixed-use development and a project of this general scale at this prime corner location. The City approval process was expedited due to an interest from the City of Santa Monica in providing mixed-use projects on the Third Street Promenade. The developer received a 33% increase in FAR, equivalent to the area of the site, by providing a pedestrian passageway through the building from the Promenade to the public parking structure across the alley at the rear of the property, and for providing housing instead of all commercial uses.

The project represents the product of what most observers believe a city must do to facilitate mixed-use development: reductions in on-site parking requirements; density and height bonuses; creative interpretation of building code requirements and supportive inspection coordination. The project also received comparatively prompt approval processing (about six months). The cooperative working relationship with the City gave the developer

sufficient confidence to commence preparation of working drawings prior to completion of the entitlements process, and was thereby able to fast-track the construction schedule.

Development Costs. Total project costs were approximately $26.2 million or $200 per square foot, including $3.9 million for land, $149,000 for site improvements, $11.5 million for construction and $11.6 million for soft costs. Cost savings were achieved through the elimination of a parking requirement and an agreement with the city to allow Type V construction (wood frame) for the apartments on a 6.5 inch thick concrete deck above Type I construction (steel frame) for the commercial space. Overall construction costs were reported to be much higher than anticipated, but higher than expected rents helped compensate for construction cost overruns, at least initially.

The project reportedly experienced significant structural steel joint damage in the January, 1994 Northridge earthquake.

Building Code Requirements and Construction Inspection Issues. Another significant cost savings was achieved through creative interpretation of a fire code regulation. By providing a wide terrace at the fourth floor office level that could be used to stage fire-fighting for the upper three floors of residential units, and by constructing the residential units on a 6.5-inch concrete and three-inch metal deck, the project was able to use wood frame construction on the residential floors (and Type I steel framing for the lower four floors).

Lease-up and Marketing Experience. The office and residential components are clearly separated (elevators and parking), such that the success or failure of each would not necessarily have an impact on the marketing of the other. Upon completion of construction, there was a very short leasing period due to a strong commercial and residential market and significant pre-leasing. The apartments, which are 700 to 1,200 square feet in size and contain fireplaces, private decks and lofts, were 90 percent pre-leased, almost entirely to young professionals, many of whom reportedly work in the general area.

Office and rental occupancy difficulties have occurred in the wake of the Northridge earthquake. According to press reports, two office workers recently filed suit against the project and the ground floor Broadway Deli restaurant alleging that the building's ventilation system was contaminated with toxic materials.

Project Financing and Financing Issues. Due to a then-pending foreclosure by the Bank of Montreal, the HR&A project team was unable to discuss the project financing with the developer or the construction lender.

E. CASE STUDY #4: BEVERLY HILLS SENIOR HOUSING AND RETAIL

General Description of the Project. This 131,000 square foot project was developed on a 1.5-acre site located on Crescent Avenue, two blocks north of Wilshire Boulevard, in the City of Beverly Hills

The Project Development Team. The project was developed by the Menorah Housing Foundation of the Jewish Federation Council and the City of Beverly Hills in 1987. Kamnitzer & Cotton was the project architect. The U.S. Department of Housing and Urban Development (HUD) and the City of Beverly Hills provided financing for the project.

Density and Building Height. The floor area ratio is 2.0 and the residential density is 100 units per acre. The building is four and five stories in height, due to a change in ground elevation.

Land Use Mix. The project consists of three uses: (1) 150 rent-restricted apartments for very low-income seniors and disabled persons; (2) a 26,000 s.f. food market; and (3) 877 public parking spaces for residents, patrons of the market and workers and shoppers in the surrounding area.

- *Retail Use*. The retail space has been occupied by Mrs. Gooch's Market, a prominent health food operation, since the time construction was completed.

- *Housing*. The apartment units are 540 square feet in size, except for three efficiency units that are 425 square feet.

Parking Requirements. The 877 parking spaces are on five levels, four of which are below grade. There are separate entrances to the parking for each use component. The city allowed a reduction in parking for the residential units, requiring 64 spaces for 151 units. The project was designed with three driveways: one for retail, one for public parking and one for residents. The parking areas were originally designed to be shared, but were then separated by fencing upon completion, at the request of the housing developer, who views this as essential for operations. The residents demanded exclusive parking for safety and operational purposes. The garage could not be secured and still allow 24-hour access for residents unless the residential parking was separated.

Beverly Hills Senior Housing and Public Parking Garage
SEC of Dayton
and Crescent
Beverly Hills, CA

Front view,
looking north

Front view,
looking northwest

Front view,
looking southwest

Beverly Hills Senior Housing and Public Parking Garage
SEC of Dayton
and Crescent
Beverly Hills, CA

Rear view,
looking north

Side and rear view,
looking south

Side view,
looking north

Entitlements Required. The site was rezoned by the City of Beverly Hills specifically to accommodate the development program, including replacing and adding public parking to serve local merchants as well as neighborhood-serving retail and housing for seniors, both of which were being driven out by escalating rents. Beverly Hills had a well-established practice of putting retail uses into the ground floor of public parking structures, and of allowing lower-than-market rents for those retailers. There was also a commitment on the part of the City to provide senior housing at a time of rapidly escalating market rents.

As a joint development on City-owned land, which achieved multiple City objectives, the approval process was relatively uncomplicated. The Environmental Impact Report on the project was, however, challenged in court by a private party, but it was eventually sustained.

Menorah Housing purchased the air rights above the deck and a parcel for residential parking and the ramp to it. The parking and parking ramp were separated from the rest of the premises through a parcel map. Menorah Housing owns the housing above the deck and owns the parking and the ramp to the parking that serves only the residents. The City of Beverly Hills owns the public and retail parking and the retail space.

Design Issues. A separate pedestrian identity was provided for each component, distinguishing the uses in order to provide identity and accommodate different hours and demands.

Building height was a big issue with this project. Large retail tenants typically want high floor-to-ceiling heights for ducts, infrastructure and openness. Smaller ones do not need the height. To accommodate the additional height needed by the retailers, but within a restricted overall project height limit, a mixed-use project can end up shortchanging the residential floor heights above. A typical 45-foot height limit for three stories of residential above retail is not enough, according to the project architect.

The housing developer and architect preferred more flexibility in how to address the required setbacks for the residential component of the building, including bringing the residential sections to the property line, provided compensating space is provided with decks or more flexible requirements about the location of setbacks.

The project combines Type I construction below the deck on which the residential section sits, and Type V construction for the rental units. This change in construction type cause some design and construction coordination problems (e.g., elevator shaft alignments).

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The project combines Type I construction below the deck on which the residential section sits, and Type V construction for the rental units. This change in construction type cause some design and construction coordination problems (e.g., elevator shaft alignments).

Development Costs. The City provided the platform for the housing, which is built on air rights. The City funded the parking structure, the retail, and certain design amenities for the housing which were not covered by federal housing resources. Project costs were, therefore, significantly above average for this product type. The apartments and the parking allocated to the apartments were financed by the HUD Section 202 program, which includes a commitment of project-based Section 8 certificates for 40 years. The retail and remaining parking components were financed by the City of Beverly Hills through tax exempt bonds, a Community Development Block Grant contribution and other City funds. Project costs were approximately $29.4 million, or $224 per square foot, including $6.0 million for land, $1.2 million for site improvements, $13.3 million for construction and $8.9 million for soft costs. The sources of project financing are as follows:

$ 6.0 million	City funded land costs
$ 1.2 million	CDBG funds for site clearance, excavation, utilities, some pre-development
$ 7.3 million	HUD 202 financing
$ 1.9 million	City funded housing amenities
$13.0 million	City funded construction costs, including retail and parking, $1.0 million of which was funded by a cash contribution from the City.

The City of Beverly Hills owns the land and provided the residential developer/owner with an air rights lease for 55 years in order to accommodate the housing. The City of Beverly Hills contributed additional funds to the construction of the housing in order to provide amenities that were not eligible for funding under the HUD program, including the brick facade, bay windows and additional landscaping.

Although the same architect was used by the City for the non-residential components, and by Menorah Housing for the apartments, each developer used a different construction contractor. This caused more coordination and oversight issues than a project of this scale and complexity would ordinarily present.

Marketing and Lease-up Experience. The residential component of the project was immediately leased and remains full, with a years-long waiting list, due to significant unmet demand for subsidized housing on the Westside. The Mrs. Gooch's health food market lease commenced in October, 1987. It has a 15-year term with a 10-year option, followed by a 5-year option. Rent is adjusted every 30 months based on CPI with a ceiling of 6%. Current base rent is $31,965/month, inclusive of the use of the parking spaces. The City receives base rent or 2% of gross retail sales, whichever is greater.

The residential developer believes that the combination of the region's severe shortage of housing for very low-income seniors and disabled persons, and the proximity of the grocery, made the novel situation of living above the commercial uses acceptable to tenants.

Project Financing and Financing Issues. The residential component and its related parking was completely financed by the HUD 202 Program, and HUD treated the project as though the other components did not exist.

The whole project was built at one time. The City paid for the public parking and the retail space through tax exempt bond financing, in the form of certificates of participation, totaling approximately $21 million.

F. CASE STUDY #5: WILSHIRE PROMENADE

General Description of the Project. This nearly 120,000 square foot mixed-use project on a 1.28-acre site, is located in the City of Fullerton, near the courts, Cal State Fullerton, Fullerton City College, an AMTRAK station and a hospital.

The Project Development Team. The building was developed by The Howard Platz Group in 1990/91. The architect was McClaren Vasquez & Partners. The construction lender was the National Bank of Canada.

Density and Building Height. The floor area ratio is 1.7 and the residential density is 82 units per acre. Portions of the building are two, three and four stories in height.

Land Use Mix. This project consists of 128 market-rate apartments over 13,400 square feet of commercial space and a public/private parking structure.

- *Retail.* The city insisted on retail, not office, uses for the project, which ultimately proved to be a problem for the developer.

- *Residential.* The City considered imposing a 20% restriction for affordable housing, but decided not to after realizing that "affordable" rents were close to market rents in this area.

Wilshire Promenade
NWC of Malden
and Wilshire
Fullerton, CA

Front view,
looking west

Front and side view,
looking west

Front view,
looking northeast

Wilshire Promenade
NWC of Malden
and Wilshire
Fullerton, CA

Front view,
looking east

Side view,
looking north

Side and rear view,
looking southeast

Parking Requirements. The project includes 276 parking spaces on two levels, one of which is below grade. The surface parking level is intended to accommodate the needs of the retail uses and the public. Parking for the residents is provided on the below-grade level.

All parking requirements for each individual use had to be met on site. The City entered into a shared parking agreement with the developer to use the City spaces to help meet the commercial parking requirement for the project.

Entitlements Required. The City applied approval processes required for each separate use, because it had no procedure for a mixed-use project. The City considered imposing a requirement for 20% rent-restricted housing during the approval process, but the requirement was never approved. The zoning was amended in order to permit residential above the retail. The project took about 4 months to get approvals.

The City's redevelopment agency was very cooperative and receptive to the project, according to the developer. The agency wrote down the land costs in exchange for building the public parking lot in the rear part of the project. The City had not originally thought of the site for a mixed-use project, but the area had mixed zoning and a mixed-use project seemed appropriate.

Design Issues. The City was very eager to see the project built, but there was tension over project design issues. According to the developer, design requirements were imposed without an adequate understanding of their cost implications.

The City wanted the project to have a brick theme to match the historical brick building next door and other architecture in the area. A mini brick (3/8ths inch thick) instead of a full brick was selected by the developer in order to save costs. It was used strategically to again help reduce costs instead of applying it on all exterior surfaces. The City eventually agreed to this approach.

Given the density of 81 units/acre, there was limited ability to create a sense of depth and texture along the facade of the project. Visual relief was attempted by varying the color of the brick courses on the first level. Flat roofs were used because of the height limit.

Development Costs. The City contributed the land to the development in exchange for the replacement of the pre-existing public parking lot on the ground floor of the project. Total project costs were approximately $18.0 million dollars or $150 per square foot not including land costs. Approximately $10.8 million was spent on construction.

Marketing and Lease-up Experience. Two months after completion of construction, the housing was fully leased. The retail space had never been fully leased. At the time the case study was prepared, the only retail tenant was a small convenience market of approximately 1,000 to 1,500 square feet. A law office and mini-storage facility was scheduled to occupy a portion of the available retail space, though this was contrary to the City's desire for retail tenants.

- *Market Context.* The Wilshire frontage is secondary frontage. It is not a major street and does not have a destination orientation. There is limited exposure to cars and foot traffic. Harbor Boulevard is around the corner, which is a main street in town. This project was faced with trying to change the retail orientation in the area from "used" stores and antique stores to a more contemporary, higher level, with higher rents. It was also the only new project in an area, which, otherwise, remained unchanged. The City was planning a new museum a few blocks away and the developer thought, at the time, that the retail uses in his project could tie into the museum project, but the museum was never built.

- *Retail.* The retail space did not lease initially because the market dropped out, according to the developer. The project came on-line at the beginning of the 1991-93 state recession. Located in an older part of town, the project was targeted to existing tenants who would relocate from within the area. There was a neighborhood orientation in the area. Bigger chains, like Blockbuster, would not consider locating here. The location was better suited to smaller video store or cafe type retailers. Many prospective tenants reserved space and had interest, but fell out in the end because of the economy.

  A neighborhood market was the only tenant secured by the developer. The spaces were designed for 1,200 to 1,500 square foot, mom and pop stores. a 7,500 foot tenant would have been the largest tenant that could have been accommodated. The developer believes that small, "folksy" retail tenants are ideal for mixed-use development, because the noise level is lower. This is important when there are residential units above. More intense retail uses may result in too much noise and traffic for prospective residential tenants, particularly condo owners, the developer believes.

  The developer tried to entice existing tenants in the area to the project, even though project rents were higher than existing rents for older buildings. The developer did not consider the asking rent to be a prohibitive factor in the leasing program. The

problem with leasing was perceived to be more a matter of deteriorating economic and market conditions.

- *Housing*. The housing was very successful. It was 100% leased within two months of completion, and remains about 98% occupied today. Cal State Fullerton took 15 units in order to help attract new faculty to the campus by providing housing close by. Many nurses chose to live in the building, reportedly because they valued the on-site security system.

Project Financing and Financing Issues. The lender ended up taking the project back due to the lack of revenue from the retail space and insufficient equity to carry the project through the extended lease-up period. Without the retail income there was no money for tenant improvements and insufficient cash flow to support a permanent loan.

The lender believes the site is much better suited to residential than retail use, and this has been an inherent problem with the project -- it tried to create a retail market where none existed. If the project were to be financed today, the bank would require substantial pre-leasing of the retail space prior to the start of construction and the inclusion of a financial equity partner.

In general the lender reported that although there is somewhat more acceptance of mixed-use projects among his colleagues today, they remain very cautious about lending for this product type. It is still considered untested on the West Coast, and especially in Orange County. Nevertheless, the lender has no specific underwriting policy regarding mixed-use. If and when the lender resumes mixed-use financing, it is likely that they would underwrite these project more like retail projects than apartments.

V. FINANCIAL FEASIBILITY OF FOUR PROTOTYPE MIXED-USE PROJECTS

This Chapter presents an analysis of the financial feasibility of four prototypical mixed-use development projects, one in each of the four Westside cities. The Chapter begins with a summary of the financial feasibility computer model used in the analysis, which is an adaption of a model developed by The Natelson Company, Inc., for use in evaluating mixed-use projects in the City of Los Angeles. The Chapter then describes the four prototypical projects and how city-specific zoning and other regulations were applied to each prototype, including a graphic depiction of each prototype. Next, the feasibility results for each prototype are reported, under a baseline case, and for each of several possible changes that reflect factors within the control of the cites.

A. THE FINANCIAL FEASIBILITY MODEL

The City of Los Angeles' Mixed-Use Financial Model. The City of Los Angeles City Planning Department's new draft General Plan Framework places significant emphasis on the ability of mixed-use development projects that include housing to accommodate projected growth in the City's housing supply. In conjunction with the preparation of the Framework and its Draft Environmental Impact Report, the City has been studying various amendments to its existing, and rather cumbersome conditional use permit for mixed-use projects in order to make it more useful for the role envisioned for mixed-use development in the Framework. Accordingly, The Natelson Company, Inc. prepared an economic impact and financial feasibility model to assist City staff and the Framework consulting team to better understand the effects of market dynamics and regulatory and entitlement constraints on mixed-use project feasibility.

The model was applied exclusively to conditions in Community Plan areas in Los Angeles, using 15 very general prototypical mixed-use developments. The prototypes were three to six stories above grade with one to two and one-half levels of parking. They ranged in size from approximately 20,000 to 120,000 square feet, including one and two-story commercial space below a mix of studio, one- and two-bedroom apartments.

Description of the Los Angeles Feasibility Model. The model is a series of linked spreadsheets that have been supplemented with user-friendly "help" keys. To test the feasibility of a mixed-use project, the user enters specific project characteristics, including the following:

- lot description, zoning and land use mix
- density/building area, setbacks and lot coverage

- parking, open space and recreational amenities
- development fees and costs
- operating and financial assumptions
- government incentives, reductions, waivers or exactions

All of the inputs, or assumptions, are incorporated into a project cash flow analysis, from which feasibility is determined. By manipulating key variables among the project characteristics, one can identify the extent to which a change in a particular variable impacts feasibility.

Key variables include:

- land cost
- rent
- density
- parking
- proportion of deed-restricted affordable housing
- discretionary permit processing time

For example, by establishing a minimum threshold rate of return necessary to attract private sector investment, the model can be used to determine the minimum (relative to rent and density) and maximum (relative to land costs, parking, affordable housing and processing time) threshold levels of any key variable that can be supported by a project, based on a particular mix of project characteristics.

Conclusions of the Los Angeles Model Runs. The following is a summary of what the consultants concluded about the conditions that lead to feasible mixed-use projects in the City of Los Angeles, based on analysis of the prototypes. "Feasibility" was measured in terms of internal return on investment (IRR), for which the minimum acceptable threshold was established to be 12 percent.

- *Projects Are Not Feasible Where Land Costs and Achievable Rents Are Out of Balance.* IRRs were unacceptably low for prototypes in Community Plan Areas where increases in land costs had significantly outpaced increases in commercial and residential rents (e.g., parts of the Westside). Similarly, IRRs were unacceptably low in communities where rents were too low, in spite of low land costs.

- *Reducing Parking Requirements Boosts Feasibility.* IRRs increased for projects when the parking requirement and, therefore, development costs, were reduced. The rationale for doing so was proximity to mass transit or the presence of affordable housing.

- *A Greater Proportion of Commercial Space in a Project Generally Correlates With Higher Returns.* IRRs were greater for projects with a larger proportionate share of commercial FAR, because commercial space usually generates a higher return than residential space. As a result, the FAR required to achieve a target IRR will be higher if both commercial space and housing are added to a project than if just commercial space is added. [The model assumed, however, that there existed sufficient demand for whatever amount of commercial space was modeled. As the case studies prepared for this Report show, this is not always a valid assumption.]

- *Permit Processing Delays Hurt Returns.* IRRs decreased as the time required to obtain entitlements increased, particularly among projects with the highest IRRs. These include larger projects and projects with a larger share of commercial space. The model assumed a six month processing time and an equity investment in land only, upon commencement of the entitlement process. Interest costs were not assumed to be incurred on the equity investment during the entitlement period. [Greater decreases in IRR would result during delays in processing time if the equity investment is increased to reflect: (a) all pre-development costs to date; and (b) the interest on or "opportunity cost" of equity capital during that delay time.]

- *Returns Are Sensitive to the Proportion to Affordable Housing Requirements.* IRRs decreased as the proportion of price-restricted affordable housing in the prototype increased.

- *An FAR of 2.0 is the minimum for Feasibility.* The analysis suggested that a Floor Area Ratio (FAR) of 2.0 (i.e., building floor area equal to twice the area of the site) is the minimum necessary for feasibility because this allows sufficient

flexibility in the design to accommodate a reasonable land use mix. However, from a practical marketing and feasibility perspective, the project site area used in the calculation of FAR must be larger than a single standard size parcel.

- *More Is Not Always Better.* There are areas of Los Angeles where an increase in density will not produce a feasible mixed-use project, due to limited market demand and low rents.

Changes to the Model for the Westside Cities Analysis. After carefully reviewing the details of The Natelson Company's model that was prepared for the City of Los Angeles General Plan Framework, the following changes were made for the Westside Cities version of the model:

- *More Detailed Cash Flow analysis.* A nine-month entitlements period was added prior to the start of constriction, during which all soft costs, except land purchase and 15% of architectural and engineering fees, were spread evenly. The cash flow analysis was also extended from eight to 10 years of project operation. Each site is assumed to be purchased, with 1% paid as an option in the month prior to commencement of the entitlements process, and the balance due in full at the start of construction.

- *Location-Specific Land Costs, Rents and Rent-related Assumptions.* Westside-specific values were derived from interviews with brokers and other real estate professions in each city who were familiar with market conditions in the area around each project example. These assumptions are shown in Appendix B.

- *Higher Subterranean Parking Construction Costs.* Average building construction cost was left at $70/s.f., but below-grade parking cost was increased from $25/sf for all subterranean levels to $30/sf for the first level and $35/sf for the second or third level.

- *Different Financing Assumptions.* Based on current market conditions and the HR&A project team's judgment, the following model parameters were also changed:

  -- The debt coverage ratio was increased from 1.10 to 1.25.

  -- The permanent loan term was reduced from 30 years to 25 years.

-- Capitalization rates were increased to 10%.

-- Present value discount rate and target IRR were increased from 12% to 15%.

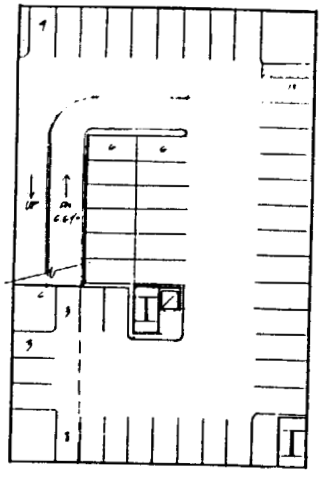
B. THE FOUR PROTOTYPE MIXED-USE PROJECTS

The planning and community development staff at each of the four Westside cities were asked to nominate a site where a mixed-use project was either actively under consideration, or might be proposed for future development, or where the city for other reasons was interested in testing the feasibility of such a project. The zoning regulations that would normally apply to a project on that site were then applied, and a graphic illustration of a conforming development project was then generated by the Metcalfe Associates. These illustrations provided the basis for estimating various physical parameters that were used in performing the financial feasibility tests. In addition, estimates were made of any applicable development fees and other related pre-construction development costs that were city-specific. A market reconnaissance was then performed to assemble city-specific land values, rents, and other financial factors specific to each city. These assumptions and others that applied across all of the prototypes were described in the preceding Chapter

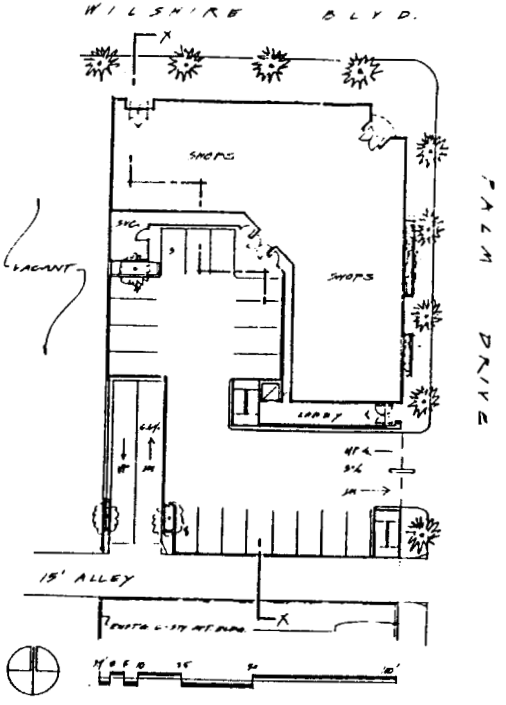
The Beverly Hills Prototype

- *Overview.* This prototype is located on a 100' x 160' (16, 416 s.f.) flat site at the corner of Wilshire Boulevard and Palm Drive. There is currently no provision in that city's zoning code for a mixed use project. However, it can be assumed that a discretionary review process would be required to approve it.

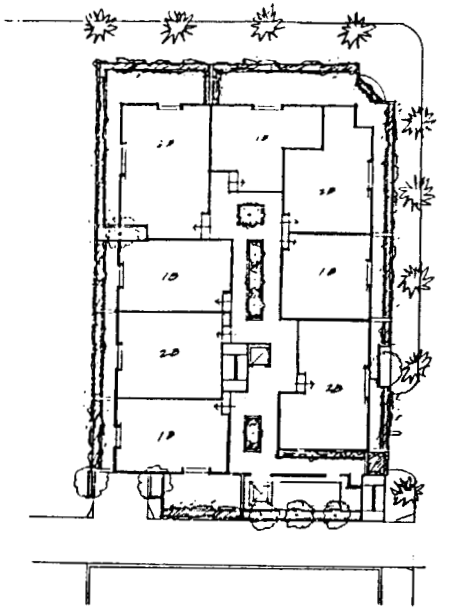
- *Zoning Issues.* The applicable zoning regulations which city staff indicated would apply for such a project allows a 45'-0" high building. This translated into about 7,000 gross square feet of retail on the ground floor and two upper floors of apartments (four one-bedroom and four two-bedroom units on each of two upper floors), as shown in Figure V-1. Gross Floor Area (GFA) of the building is 29,157 s.f., with a Floor Area Ratio (FAR) of 1.78. The ground floor retail



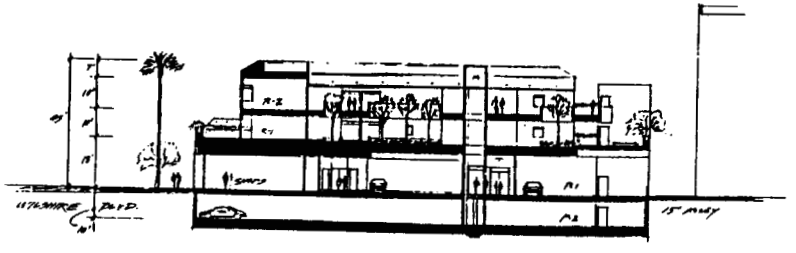
LOWER LEVEL PARKING: 98 CARS INCL. ADA STALLS
103.9' x 158' = 16,416.2 GSF = 342 GSF/STALL



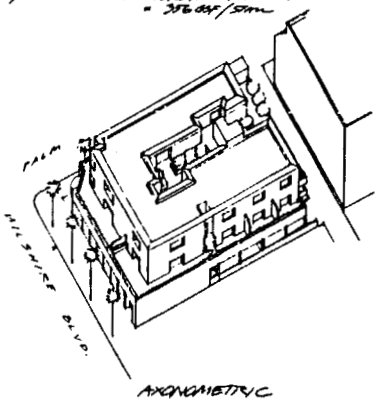
GROUND FLOOR: RETAIL AND PARKING
(11) PARKING SPACES IN PORTE COCHERE STREET LEVEL DECK
= 340 GSF/STALL. GR. AREA = 33,137.2 GSF ÷ 67 SPACES
= 376 GSF/STALL



TYPICAL UPPER RESIDENTIAL FLOOR PLAN
LEVEL R-1 BELOW SIMILAR W/ 8 D.U.



CROSS SECTION X-X



AXONOMETRIC

PROTOTYPE PROGRAM:

GROSS SITE AREA: 16,416.2 SF				.377 Acres
• RETAIL (STREET) LEVEL			GBA SF	GLA SF
SHOPS			6657	6524
• RESIDENTIAL	D.U.	NSA/UNIT		NLSF
R-1 & R-2 { 2 BDRM APTS.	4	1300	6138	4900
R-2 { 1 BDRM APTS.	4	1000	5112	4000
SUB-TOTAL TYP. FLOOR:	8		11,250	8900
SUB-TOTAL RESIDENTIAL:	16		22,500	17,600
TOTAL DEVELOPMENT:	16 D.U.		29,157 SF	24,124 SF
F.A.R. = 1.8			FLOOR RATIO: .60	
• PARKING				SPACES
PARKING PROVIDED FOR RETAIL @ 4.1/1000 SF GLA =				27
" " " RESIDENTIAL @ 2.5/D.U. =				40
TOTAL PARKING PROVIDED:				67

MIXED-USE DEVELOPMENT PROTOTYPE for THE CITY OF
BEVERLY HILLS

JOHNSON, FAIRCHILD & WEAVER • METROPOLITAN ASSOCIATES
AUGUST 1980

FIGURE V-1

is placed at the property line along Wilshire and Palm. The entrance and elevator lobby for the upper floor residential use is located on the Palm Drive side at the terminus of the retail space. The two residential floors are double-loaded around a central court yard, and are set back from the perimeter of the retail space below to provide each unit with outdoor patio area.

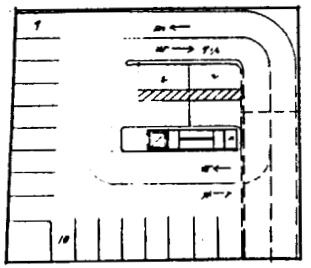
- *Parking.* This prototype would require a total of 67 parking spaces, which would be accommodated on two subterranean levels (24 spaces each) and 19 street-level spaces at the rear of the retail spaces, accessed from Palm Drive. The subterranean levels would be accessed from the alley behind the project. Of the total parking supply, about two-thirds of the spaces are for the residential use (2.5 spaces per unit) and one-third for the retail use.

- *Development Fees.* Customary development fees (i.e., in addition to discretionary permit processing fees, building permit fees and public works fees) that would apply in this case include a 1% Fine Arts Fee; a school impact fee; a dwelling unit tax; and open space fee. Total cost of fees is estimated at $215,642.

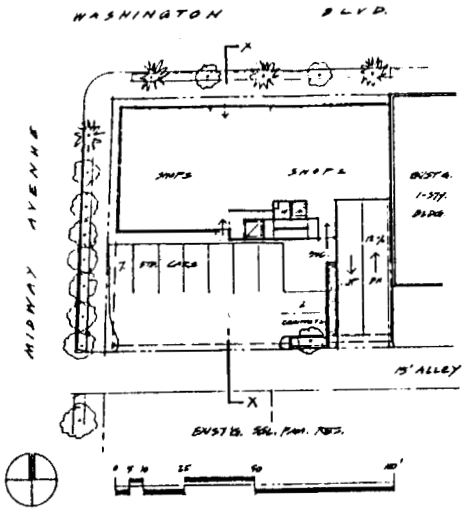
The Culver City Prototype

- *Overview.* This prototype applies to a 100' x 100' flat site (9,192 s.f.) on Washington Boulevard at the corner of Midway Avenue. The City has no special permit process for mixed-use development, and this prototype would involve a discretionary density bonus application for the residential use to exceed the base density allowed.

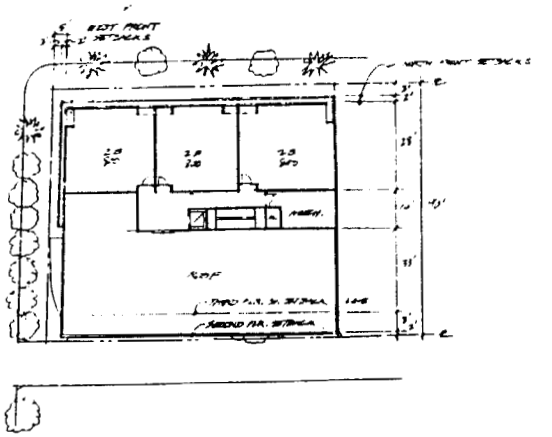
- *Zoning Issues.* The zoning regulations applicable to this site permit a 56'-0" high building, but due to limits on allowable density bonus for residential uses, and current market conditions, a three-story (46'-0" high) configuration is the most likely result. City staff advised that, based on past practice, the residential density bonus should be limited to 50% and that the bonus units should be designated for seniors. This, in combination with the otherwise applicable setback and other zoning standards, results in a development concept of about 15,800 gross square feet. It includes about 4,300 gross s.f. of ground floor retail along the Washington Boulevard frontage, a full second floor of six market rate rental units (three one-bedroom units and three two-bedroom units), and a partial third floor with three smaller two-bedroom units for seniors.



- P-1 PARKING LEVEL: 21 STALLS INCL (1) ADA
  100' x 104.33' x 76' = 9772.15 GSF
- P-2 LOWER LEVEL = 6176 GSF: 10 STALLS (PARTIAL FLOOR)
  TOTAL SUBTERRANEAN PKG.: 31 STALLS @ 496 GSF EA.



GROUND FLOOR: RETAIL and PARKING



ROOF PLAN: UPPER FLOOR R-2

SENIORS UNITS: (3) 2 BDRM. @ 800 SF EA.

R-1 MIX FLR. BELOW w/ 6 ASST. MIX DWELLING UNITS (SIMILAR LAYOUT w/DIFF. UNIT PLANS)

PROTOTYPE PROGRAM:

GROSS SITE AREA: 9772.15 SF = .21 Acres

			GSF SF	GLA SF
• RETAIL (STREET) LEVEL				
SHOPS			7276	3878
• RESIDENTIAL	D.U.	NSF/UNIT		NLSF
R-1 1 BDRM. APTS.	3	1000	3695	3300
2 BDRM. APTS.	3	1200	4439	3600
SUB-TOTAL R-1:	6		8134	6900
R-2 SENIORS				
2 BDRM. APTS.	3	800	3408	2400
TOTAL RESIDENTIAL:	9		11,542	9300
TOTAL DEVELOPMENT:			18,830 SF	12,878 SF

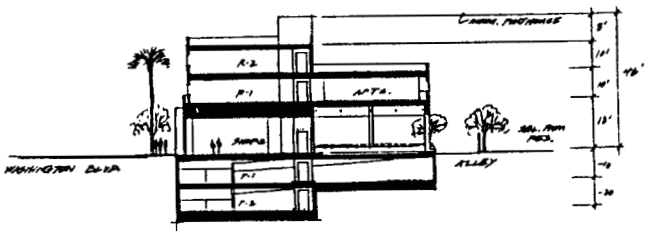
F.A.R. = 1.72 HOUSING RATIO: .97

• PARKING

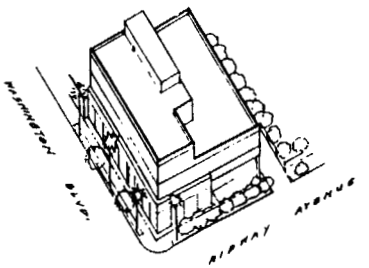
PROVIDED FOR RETAIL ON GRADE:	9 CARS
ON P-1 SUBTERRANEAN:	6
SUB-TOTAL FOR RETAIL @ 1/363 SF GLA =	15
FOR 1 BDRM. D.U. (3) @ 2/D.U. (ALL SUBTERRANEAN) =	6
FOR 2 BDRM. D.U. (6) @ 2.5/D.U. (" ") =	15
SUB-TOTAL FOR RESIDENTIAL =	21
TOTAL PARKING REQUIRED:	36
TOTAL PARKING PROVIDED:	40

MIXED-USE DEVELOPMENT PROTOTYPE for THE CITY of CULVER CITY

HAMILTON, MASINVITA KRAMMER = METCALFE ASSOCIATES
SEPTEMBER 1995



CROSS SECTION X-X: VIEW EAST



AXONOMETRIC

FIGURE V-2

Access to the residential space is via an elevator lobby off the Midway side of the building, behind the retail space. The prototype's FAR is 1.72. A graphic interpretation of these standards is shown in Figure V-2.

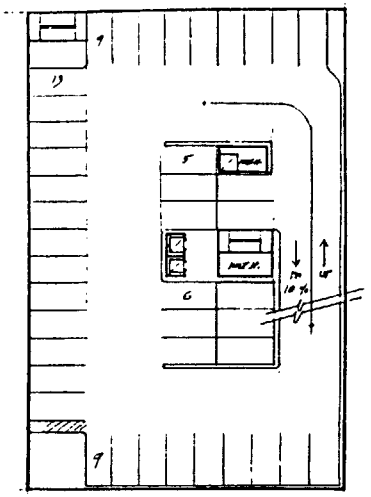
- *Parking.* A total of 36 parking spaces would be required for this development concept; 40 are provided. Seven at-grade spaces are located behind the ground floor retail space, with the balance in a subterranean garage that is one and one-half levels below grade. About 40 percent of the parking is required for the retail use and 60 percent for residential (2.0 spaces per unit for the one-bedroom units; 2.5 spaces for the two-bedroom spaces; no discount for the smaller seniors units).

- *Development Fees.* This city's development fees that would apply to a project like the prototype include a 1% art fee; a school fee; a residential and non-residential surcharge; a new development fee and an open space fee. Total cost of fees is estimated at $48,302.

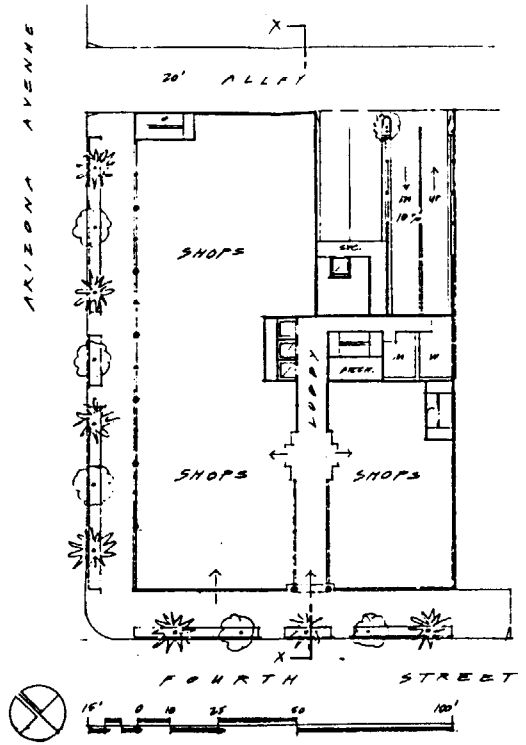
The Santa Monica Prototype

- *Overview.* This prototype is located on a 100' x 150' (15,000 s.f.) flat site at the corner of Fourth Street and Arizona Avenue. This is one block east of the Third Street Promenade, and within the boundaries of a pending expansion to the Bayside District Specific Plan, which now covers the Promenade.

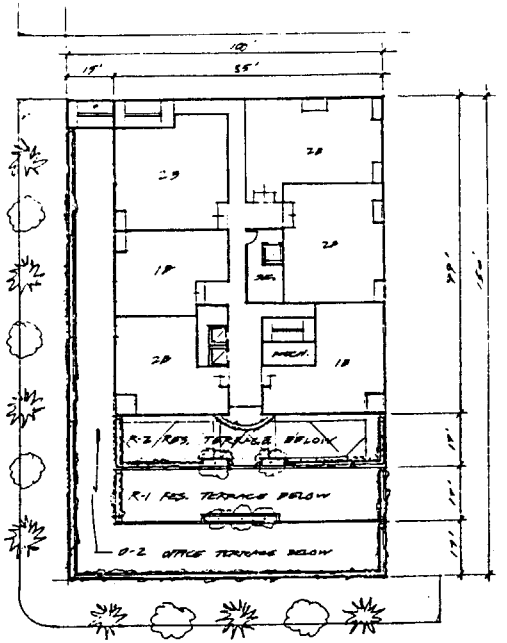
- *Zoning Issues.* The applicable zoning standards would permit an 84'-0" (six stories) high building with 17-foot wide upper story setbacks on each floor above 30 feet on the Fourth Street elevation. At the City staff's request, an additional 15-foot wide upper story setback was included on the Arizona side, which is an urban design standard now under consideration for the Specific Plan Amendment. The use mix includes non-restaurant retail on the ground floor, multi-tenant commercial office space on the second floor, and three upper floors of apartments (five one-bedroom units and 14 two-bedroom units). Access to the upper floor office and residential space is from an elevator lobby accessed from a Fourth Street entrance, with two elevators dedicated to the residential floors and one for the office floor.



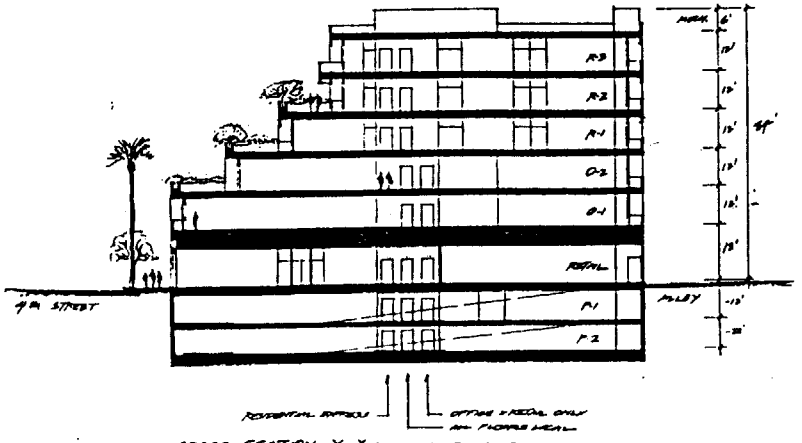
TYPICAL PARKING LEVEL: 92 STALLS INCL. ADA
100'x150' = 15,000 GSF/LEVEL P2 W/ 99 STALLS
(2) LEVELS = 30,000 GSF
TOTAL PARKING PROVIDED = 86 STALLS = 347 GSF/STALL



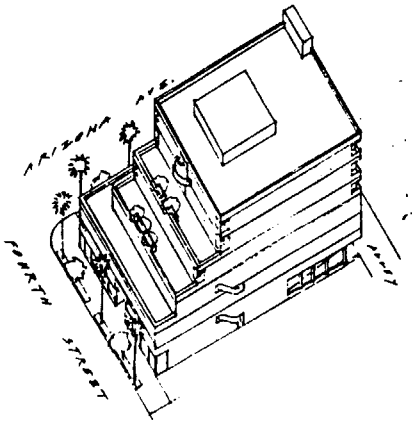
GROUND FLOOR: RETAIL



TYPICAL UPPER RESIDENTIAL FLOOR PLAN
FLOORS R-2 & R-3 W/ G.A.U. REQ. + R-1 W/ T.D.R.



CROSS SECTION X-X: VIEW NORTH-WEST



AXONOMETRIC

PROTOTYPE PROGRAM:

GROSS SITE AREA: 16,100 SF .34 Acres

			GBA SF	GLA SF
• RETAIL (STREET) LEVEL				
ARIZONA FRONTAGE:			7,713	7542
FOURTH STREET FRONTAGE:			2680	2398
SUB-TOTAL RETAIL:			10,393	9940
• OFFICE			GBA SF	NUSF
LEVEL O-1	(80'x150')		14,619	11,849
LEVEL O-2	(85'x133')		11,116	8294
SUB-TOTAL OFFICE:			25,735	20,143
• RESIDENTIAL	D.U.	NSF/UNIT	GBA SF	NSF
LEVEL R-1 (85'x116' Gross)	6	1200	9860	8200
	1	1000		
LEVELS 2 R-2 & R-3 (85'x99' Gross ea.)	8	1200	16,830	13,600
	4	1000		
SUB-TOTAL RESIDENTIAL:			26,690	21,800
TOTAL DEVELOPMENT: 19 D.U.			62,818 SF	51,883 SF

F.A.R. = 36,185SF + ½ RES. 13,345 = 49,473/15,000 SF = 3.0
HOUSING RATIO: .35

• PARKING	SPACES
PROVIDED FOR RETAIL @ MUNICIPAL PUBLIC STRUCTURE 4TH STREET	
" " OFFICE @ 1.5/1000 NUSF (1.5 in " "	30
" " RESIDENTIAL @ 2.9/D.U. =	56
TOTAL PARKING PROVIDED ON (2) DECKS BELOW GRADE:	86

MIXED-USE DEVELOPMENT PROTOTYPE for THE CITY OF

SANTA MONICA

HAMILTON, RABINOVITZ & ALSCHULER • METCALFE ASSOCIATES
AUGUST 1995

FIGURE V-3

Total floor area is about 62,800 gross square feet, for an FAR of 3.0 (including the City's FAR calculation rule under which residential floor area is counted at half its actual space). The upper floor setbacks prevented reaching the maximum allowable FAR of 3.5. Figure V-3 shows one graphic interpretation of these standards. The prototype also include this City's requirement that 30% of the dwelling units be rented at prices affordable to low- and moderate-income households.[57]

- *Parking.* The site is located within the boundaries of a downtown parking assessment district, and therefore all non-residential parking could theoretically be accommodated in the adjacent public parking structures. The HR&A project team believes, however, that some on-site parking for the office tenants would also be required to meet market expectations. Accordingly, 30 spaces are included on site for office tenants (at about half the rate normally required by the City), and another 56 per zoning code requirements, in two subterranean parking levels. The retail parking requirement is presumed to be accommodated in the City's structures.

- *Development Fees.* Development fees that would apply in this case include a school fee; housing/parks mitigation fee on the office space; and a recreation tax on each dwelling unit. Total cost of fees is estimated at $185,051.

The West Hollywood Prototype

- *Overview.* This prototype is located on a downward sloping site on the south side of Sunset Boulevard, between Hammond Street and Hilldale Avenue. It is within the boundaries of the recently adopted Sunset Boulevard Specific Plan, and would be subject to its urban design guidelines. These include a "view corridor" through the site, which was interpreted as an extra wide setback along the Hilldale side.

[57] Technically, an in lieu fee payment is available for the low-income units, but the moderate-income units must be provided on site.

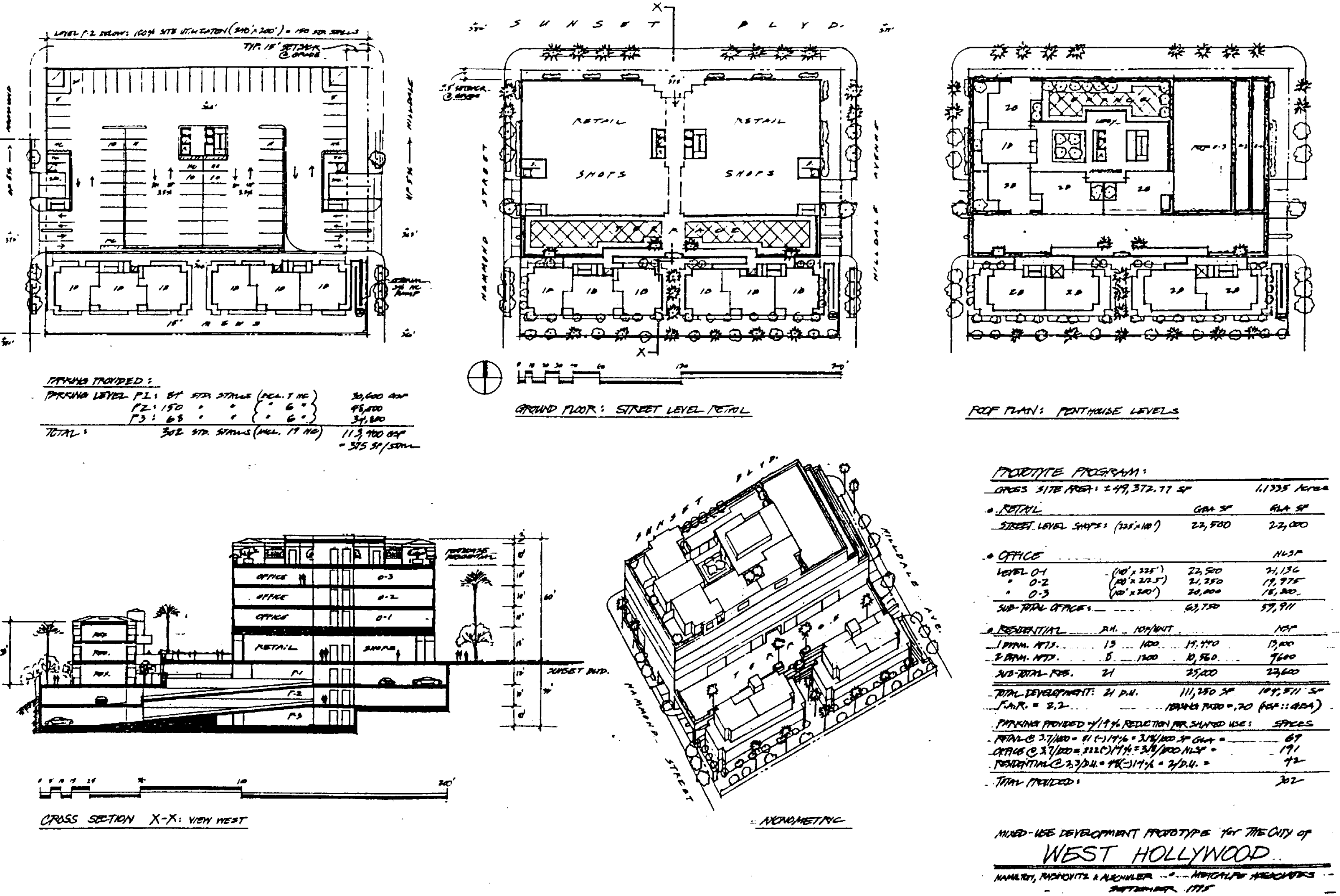

SUNSET BLVD.
HAMMOND STREET
HILLDALE AVENUE
15' MEWS
RETAIL SHOPS
RETAIL SHOPS
TERRACE
PARKING PROVIDED:
PARKING LEVEL P1: 84 STD. STALLS (INCL. 7 HC) 30,600 GSF
P2: 150 " " (" 6 ") 48,600
P3: 68 " " (" 6 ") 34,800
TOTAL: 302 STD. STALLS (INCL. 19 HC) 113,900 GSF
= 375 SF/STALL
GROUND FLOOR: STREET LEVEL RETAIL
ROOF PLAN: PENTHOUSE LEVELS
OFFICE O-3
OFFICE O-2
OFFICE O-1
RETAIL SHOPS
P1
P2
P3
SUNSET BLVD.
CROSS SECTION X-X: VIEW WEST
AXONOMETRIC
PROTOTYPE PROGRAM:
GROSS SITE AREA: ±49,372.77 SF 1.1335 Acres
• RETAIL GBA SF GLA SF
STREET LEVEL SHOPS: (225'x100') 22,500 22,000
• OFFICE NLSF
LEVEL O-1 (100'x225') 22,500 21,136
" O-2 (100'x212.5') 21,250 19,975
" O-3 (100'x200') 20,000 16,800
SUB-TOTAL OFFICES: 63,750 57,911
• RESIDENTIAL D.U. NSF/UNIT NSF
1 BDRM. APTS. 13 1000 14,440 13,000
2 BDRM. APTS. 8 1200 10,560 9600
SUB-TOTAL RES. 21 25,000 22,600
TOTAL DEVELOPMENT: 21 D.U. 111,250 SF 104,511 SF
F.A.R. = 2.2 HOUSING RATIO = .70 (NSF::GBA)
PARKING PROVIDED w/14% REDUCTION FOR SHARED USE: SPACES
RETAIL @ 3.7/1000 = 81 (-)14% = 3.18/1000 SF GLA = 69
OFFICE @ 3.7/1000 = 222 (-)14% = 3.18/1000 NLSF = 191
RESIDENTIAL @ 2.3/D.U. = 48 (-)14% = 2/D.U. = 42
TOTAL PROVIDED: 302
MIXED-USE DEVELOPMENT PROTOTYPE for THE CITY of
WEST HOLLYWOOD
HAMILTON, RABINOVITZ & ALSCHULER — METCALFE ASSOCIATES
SEPTEMBER 1995

FIGURE V-4

- *Zoning Issues.* The applicable zoning standards would allow a 60'-0"(five story) building fronting Sunset, and two separate 33-foot (three story) residential structure on the rear, down slope portion of the site across an outdoor terrace from the commercial structure. The Sunset Boulevard building would have about 22,500 gross square feet of ground floor retail space, about 63,800 s.f. of office space on three upper stories, and a residential penthouse level with four two-bedroom and one one-bedroom units, positioned to take maximum advantage of hillside and long distance city views. A central elevator bank would serve the upper floors, with two elevators dedicated to the office floors and two to the residential penthouse. The separate apartment structures include 16 one- and two-bedroom units.

  In keeping with City requirements, 20 percent of the dwelling units were designated for rent to lower-income households. Gross floor area is 111,250 s.f., for an FAR of 2.2. Figure V-4 presents a graphic interpretation of these standards.

- *Parking.* Total on-site parking is provided for 302 vehicles, which assumes the project would be granted a 14% "shared use" reduction, per City regulations. About one-quarter of the spaces are for the retail space, about two-thirds are for the office space and the balance is for the dwelling units. All parking is accommodated on two and one-half levels below grade, oriented to take advantage of the site's downhill slope. Access to the parking is from the two side streets.

- *Development Fees.* This city's development fees include a school fee; affordable housing, parks and child care impact fee on the office space; transportation impacts fee; and a 1% for arts fee.

C. FEASIBILITY RESULTS

The Baseline Feasibility Results. Using the 15% Internal Rate of Return (IRR) threshold for feasibility, which reflects the higher level of risk associated with this type of development, none of the four Westside prototype mixed-use projects would be considered "feasible." The IRRs, and various project parameters, for the four prototypical projects are shown in Table V-1, below. Prototype-specific model inputs are included in Appendix B; 10-year cash flow statements are included in Appendix D.

Table V-1
Internal Rates of Return for Four Prototypical Mixed-Use Development Projects in the Westside Cities Subregion -- The Base Case

VARIABLE	BEVERLY HILLS	CULVER CITY	SANTA MONICA	WEST HOLLYWOOD
IRR	4.06%	-6.64%	8.91%	6.19%
Floor Area (g.s.f.)	29,157	15,820	62,818	111,250
Floor Area Ratio	1.80	1.72	3.00	2.20
Commercial Floor Area (g.s.f.)	6,657	4,278	36,128	86,250
Residential Floor Area (g.s.f.)	22,500	11,542	26,690	25,000
# Residential Units	16	9	19	21
Total Parking (# spaces)	67	40	86	302
Parking Levels Below Grade	1	1.5	2	3
Land Cost ($/s.f.)	$110.00	$51.66	$86.66	$75.00
Retail Rent ($/s.f./mo. NNN)	$2.35	$1.40	$1.75	$2.25
2-Bedroom Monthly Rent (Market Rate)	$1,400	$1,000	$1,300	$1,250

Source: HR&A

Feasibility Under Each of Several Change Options. The HR&A project team then evaluated a set of strategies that are within the power of the cities to effect, to test the degree to which they might improve each prototype's rate of return. The following table summarizes the results of this investigation when each change is applied, one at a time:

Table V-2.
Effects of Various Public Sector Strategies That Could Improve the Internal Rates of Return for Four Prototypical Mixed-Use Development Projects in the Westside Cities Subregion

STRATEGY	BEVERLY HILLS	CULVER CITY	SANTA MONICA	WEST HOLLYWOOD
Base Case	4.06%	-6.64%	8.91%	6.19%
Waive All City "Mitigation" Fees Except School Fees	4.60%	-6.24%	9.89%	7.00%
Reduce Parking Requirement 50%	5.24%	-4.03%	11.45%	9.85%
Increase Allowable Floor Area Ratio 50%	9.80%	-12.07%	13.70%	7.37%
Write Down Land Cost				
25%	5.98%	-5.53%	10.62%	8.37%
50%	9.06%	-4.55%	11.90%	10.01%

Source: HR&A

Implications of the Sensitivity Analysis

Some implications of these results, in order of their potentially beneficial results, are:

- *Additional Floor Area.* Among the strategies tested, increasing allowable floor area would be most helpful to the examples in Beverly Hills and Santa Monica, but less helpful to the West Hollywood example, and it adversely affects the Culver City example because the additional construction cost overwhelms the additional rent income. This reflects the relatively better trade-off between extra development costs and achievable rents in Beverly Hills and Santa Monica. Also in Santa Monica's case, the ability to use an off-site parking resource in lieu of on-site subterranean parking makes this strategy even more helpful to the IRR.

- *Reduction in Land Cost.* Large land write-downs, or other strategies that reduce land costs would also help in all cases, but again to different degrees in each city. Beverly Hills' and West Hollywood's examples would benefit the most among the four.

- *Reductions in On-Site Parking Requirements.* Parking reductions help about as much as land cost reductions in most cities.

- *Reductions in Fees.* Waiving "mitigation" fees (not including school fees and building permit and related fees) helps only marginally.

- *Reductions in Permit Processing Time.* Reducing discretionary permit processing time below the assumed 9-month period in the base cases, although not specifically tested, is another possible tactic for improving project feasibility. Here again, it would help (i.e., by reducing "holding" costs), but not to as great a degree as other strategies.

Although no single strategy alone was sufficient to reach the 15% IRR threshold, combinations of strategies would probably get the Santa Monica example over the hurdle. Beverly Hills and West Hollywood could get within striking distance. No combination of strategies, including free land, will work for the Culver City example based on the parameters used in the prototype.

VI. RESPONSES TO ISSUES RAISED BY THE CASE STUDIES AND THE PROTOTYPE MIXED-USE PROJECTS

This Chapter summarizes some of the lessons gleaned from the case studies presented in Chapter IV and the prototypical projects described in Chapter V, which bear on the issue of what the Westside cities might consider doing or changing about their development standards, project review and approval procedures, or other regulations or actions, in order to facilitate future mixed-use projects.

A. THE ENTITLEMENTS PROCESS AND DEVELOPMENT REGULATIONS

Establishing Clear Review Criteria and Timely Processing of Discretionary Permits. Mixed-use projects are atypical, and often require major to minor changes to standard development regulations for the zoning district in which they are proposed. The additional time that may be needed to obtain required approvals adds to the cost of these projects, whose financial structures are unusually precarious. In light of how quickly market conditions can change, delays in the approval process can delay project completion to the point that it misses the market for which the project was intended.

Possible City Responses:

- *Standardize Review Procedures.* Cities should consider either (a) making mixed-use a permitted use in certain zoning districts and allowing projects to be developed as-of-right; or (b) developing a set of development performance standards for mixed-use projects, such that a project conforming to the standards could be approved with minimal discretionary review.

- *Consolidate Discretionary Reviews.* To the extent that General Plan revisions, zone changes, conditional approvals, variances, use permits and/or other special exceptions are needed, these approvals should be processed concurrently rather than sequentially.

- *Focus Environmental Assessments and Standardize Mitigation Measures.* Consideration should also be given to conducting a master environmental assessment of the mixed-use product type, so that to the extent an individual project requires environmental assessment, it can be narrowly focussed on site-specific issues. Standardizing mitigation measures will help ensure that the cities' expectations, and the costs thereof, are understood at the outset.

In Setting Basic Project Review Criteria, Consider the Scale That Mixed-Use Projects Typically Need in Order to Be Viable. Although a few small, one- or two-lot, mixed-use projects may be feasible under specific circumstances (e.g., self-financed), projects with a meaningful mix of uses and a high level of quality will more likely involve larger sites and bigger buildings to achieve necessary economies of scale commensurate with the level of risk involved in such projects. The relatively low densities permitted on the Westside adversely impact project economics (see Chapter VI). This could cause projects to chase only the highest possible rents and sale prices, which could preclude or limit neighborhood-serving retail uses and household with more modest incomes.

Further, the Westside's typical 45-foot height limit makes it difficult to (a) provide interior ceiling heights desired by larger retail tenants without short-changing floor-to-ceiling heights for the residential uses above the commercial uses; and (b) incorporate density bonuses, where applicable.

Possible City Responses:

- *Anticipate That Overall Project Scale Will Be Large, By Westside Standards.* In setting review thresholds like those noted above, the cities should recognize that successful mixed-use projects will probably need to be in a range of 100,000 square feet to be financially viable developments and to attract appropriately sophisticated developers and lenders. In the Westside cities, this is a project that would typically require considerable discretionary review.

- *Permit Higher Residential Densities and Smaller Units Sizes.* The cities should consider allowing mixed-use projects to have dwelling unit densities up to 80 units per acre in order to create more interesting urban environments, permit a wider range of incomes and generate sufficient return on investment. Higher densities can be achieved without significantly enlarging the building envelope if smaller unit sizes are permitted (e.g., one-bedroom units at 500 s.f. and two-bedroom units at 800 s.f.).

- *Be Flexible With Open Space Requirements.* The cities should be flexible regarding how and where open space requirements can be met in order to accommodate increased densities. Consider courtyards, balconies, terraces and rooftops in addition to setbacks from property lines.

- *Be Flexible With Building Heights When Mixing Residential With Other Uses.* The cities should consider allowing building heights for the residential component of

mixed-use projects to exceed otherwise applicable building heights in order to: (a) accommodate the different floor-to-ceiling heights of retail and residential uses; and 2) enable architects the flexibility needed to accommodate and express the different needs of the project's land uses.

- *Consider Density Bonuses for Preferred Uses, But Require Substantial Commitments to Those Uses.* Cities should consider granting development envelope bonuses (e.g., extra height or floor area) for preferred uses (e.g., residential or pedestrian-oriented ground floor commercial uses). But, to avoid introducing distortions in the market, the cities should require more than token commitments to such uses in order to qualify for the bonus.

Avoid Overburdening Mixed-Use Project With Unnecessary and Very Costly Parking Requirements. Parking costs, and particularly subterranean parking that is required for most Westside projects, is one of the most expensive components of a mixed-use project. Mixed-use projects generally do not need the amount of parking typically required for each use considered separately. In addition, available evidence suggests that dwelling units dedicated for lower-income households require less parking than market rate units.

Possible City Responses:

- *Allow for Parking Reductions Based on a Project-Specific Shared Use Parking Analysis.* Allow mixed-use projects to apply for parking reductions that recognize unique features of mixed-use projects, such as: (a) alternating hours of operation and occupancy for the various uses; and (b) proximity of public parking facilities and/or public transit.

- *Allow Subterranean Parking to Extend Into Rights-of-Way.* Consider allowing (perhaps for a fee) subterranean parking to extend beyond the property line under the public right-of-way (alley or street) in order to help minimize the number of subterranean parking levels.

- *Maximize Compact Spaces and Tandem Parking.* Allow upwards of 50% of required spaces to be compact spaces, and permit parking attendants to stack vehicles in parking aisles during peak use hours. Allow tandem parking for residential units to reduce circulation area and maximize the number of parking spaces.

- *Lower Parking Requirement for Dedicated Affordable Units.* Reduce the resident and/or guest parking requirements for units restricted for occupancy by lower-income households.

B. BUILDING CODES AND THE CONSTRUCTION INSPECTION PROCESS

Resolving Code Interpretation Conflicts That Are Particularly Problematic In Mixed-Use Projects. For any project, the building construction inspection process can cause significant unanticipated costs. These costs include required construction modifications and inspection delays while interpretation conflicts (either inter-departmental or between developer and city) are resolved. These problems arise when there is high turnover among inspectors, each of whom may have a different interpretation of the building code and/or interpretations that differ from the city inspector who signed off on the construction plans. Mixed-use projects often involve particularly complicated code interpretations where these coordination problems can be exacerbated. Recurring code interpretation conflicts for mixed-use projects include: 1) fire ratings for courtyards and exterior walls; 2) types of permitted construction; 3) exit stair requirements; and 4) separation requirements between residential and non-residential uses.

Possible City Responses:

- *Adopt Code Amendments to Address Predictable Conflicts.* Anticipate potential code conflicts related to mixed-use development and determine generic solutions and/or adopt code exceptions for mixed-use projects as appropriate.

- *Early Agreement on the Ground Rules.* Create an opportunity early in the development process whereby the various city departments can agree on the ground rules by which the mixed-use building is to be designed. Include upper level staff in these preliminary design meetings to ensure that the agreement(s) get carried out accordingly.

- *Achieve Consistency in Field Interpretations.* Create an inspection approval process that, in the case of inspector turnover, does not require significant reconstruction of particular project components once they have been approved by a prior inspector.

C. MARKETING ISSUES

Do Not Expect Mixed-Use Projects to Swim Against the Stream Successfully. The Westside cities should not expect mixed-use projects to be effective catalysts for revitalizing redevelopment, transitional or other marginal areas. They should respond to market demand, but cannot create it. Under current Westside density and height limits, mixed-use projects need to achieve relatively high commercial and residential rents. Such projects will only be viable, therefore, in established areas where people want to live, where tenants want to locate and where there is already high foot traffic. Mixed-use projects intended for redevelopment areas characterized as marginal or transitional will typically have a more difficult and lengthy lease-up period.

Possible City Responses:

- *Additional Incentives Need to Be considered for Marginal Areas.* Mixed-use projects in marginal areas will require public subsidies -- i.e., land write-downs, tax abatements, low cost financing and related public investments -- to counterbalance the market rent limitations of marginal areas. If the redevelopment works in the long run, cities will recapture their investments through tax revenue increases and/or a negotiated share in the appreciated value they helped to create. Any such public subsidies and assistance must, however, be appropriate in amount and duration to realistically accommodate the time and tenant improvements necessary to achieve stabilized lease-up at market rents.

The Retail Component of Mixed-Use Projects is the Biggest Leasing Challenge. Markets change in response to shifts in the economic climate over the life of the development process. The impact of market changes on mixed-use projects is compounded by the fact that this product type involves multiple markets and market cycles. Code requirements and project conditions which define too narrowly the permitted residential and commercial uses may prove unworkable. Building design elements that block or obscure street visibility of the storefront, or overly restrictive signage requirements, can create resistance among retailers to locate in a mixed-use project. Retail storefronts in the middle portion of the building are usually more difficult to lease than corner storefronts because of street visibility and identity. Appropriate retail storefront depths and easily accessible parking, in addition to traditional signage opportunities, can help mitigate a mid-building storefront location.

Possible City Responses:

- *Be Flexible When Specifying Desired Uses.* The cities should be flexible in defining acceptable commercial or residential uses, allowing the project to respond to changing market conditions.

- *Adjust Design Standards to Market Realities.* Design and signage criteria and requirements should be developed to meet the needs of traditional retailers. Cities should allow for flexibility in the design of the ground floor level of mixed-use projects so they can accommodate appropriate retail storefront depths and accessible parking.

Mixed-Use Projects Cannot Resolve Conflicts Between Markets and Competing Public Policies. Given the marketing complexities of mixing uses in a single project, cities should be cautious about imposing additional conditions to achieve numerous city policy objectives in these projects. For example, requirements for on-site, mixed-income family housing and large family units, needed though they may be, present significant marketing obstacles under the best of circumstances, and can present insurmountable obstacles for mixed-use projects. Requirements to provide for-sale housing in combination with rental housing, whether price-restricted or market rate, reduce the ability to secure bond financing, which is a major source of rental housing project financing. When rent- or for-sale-restricted units are required to be designed and built to exactly the same standards as a project's market units, and/or are required to be uniformly located throughout the building, the project loses the opportunity to balance development costs and potential revenues.

Possible City Responses:

- *Set Clear, Internally Consistent Policy Priorities for Mixed-Use Projects.* The Westside cities may not be able to achieve all of their policy objectives in every project; choices between promoting mixed-use development for its own sake and other objectives may be necessary. Offsetting incentives, bonuses or flexibilities should be available when a city seeks to achieve multiple, competing objectives.

- *Keep It Simple.* Avoid requirements to provide rental and for-sale housing within the same project unless financing is available for both housing types and can be secured at terms reasonable for the project. If mixed-income housing is to be required in mixed-use projects, cities should avoid overly restrictive requirements on the comparability of features and unit location.

D. FINANCING ISSUES

Cities Are Generally Unfamiliar With Lender Requirements and Impacts of City Regulations on Lending Decisions. Mixed-use projects, especially those with a price-restricted rental or for-sale housing component, typically involve multiple sources of debt financing and subsidy. The requirements of various lenders can often be in conflict with one another and with the requirements of the local jurisdiction. This adversely impacts the ability of the developer to satisfy the requirements of and/or the negotiated agreements with lenders and the local jurisdiction.

For mixed-use projects in which cities provide financing or other assistance, lenders prefer that the public contribution take a form that can be provided or paid in during project development (e.g., public improvements), rather than a form of assistance that occurs during the operational phase (e.g., rent subsidies). Lenders are uncomfortable with the political uncertainties associated with public sector project assistance in general, and with long-term public sector assistance in particular.

Possible City Responses:

- *Consider the requirements of loan programs and their lenders when establishing project conditions and requirements.* The Westside cities need to develop a better understanding about how their requirements (codes, designs, exactions) affect the lender's decisions and parameters for making construction and permanent loans. Where possible, cities should provide opportunities to seek alternative solutions and/or compromises to local requirements that may be in conflict with lender requirements or adversely impact costs to the point of jeopardizing the project's financing. Alternatively, financing assistance should be provided to projects when above-average amenities or other city policy objectives add significant costs to a mixed-use project that cannot be supported by market rents.

- *Focus City Assistance on the Development Phase.* When evaluating opportunities to provide public assistance for a mixed-use project, cities should focus on assistance that can be provided during the development phase of the project.

Time Is Money. The release of funds by lenders to developers to pay for up-front project costs, including land acquisition and pre-development expenses, is often tied to receipt of public approvals for the project. Long delays in the public approval process can increase land carry and pre-development costs (and hence equity requirements), and deplete the

developer's pre-construction resources, resulting in abandonment of the project. This may also result in a much shallower pool of developers willing to pursue a mixed-use project.

Possible City Responses:

- *Create an Expedited Permit Approval Process for Mixed-Use Projects.* For this additional reason, the Westside cities should consider developing a process by which the time required to obtain public approvals is more reliable and shorter, provided the applicant's submittals are complete and within established or negotiated parameters.

Lender Requirements Dictate Project Parameters. Lenders are less familiar with mixed-use as a product type than they are with more traditional residential and commercial uses. They typically discount loan amounts and set lower loan-to-value limits due to the higher level of risk they associate with mixed-use projects. Developers, therefore, are generally required to invest more equity than they typically would for single-use projects, must show evidence of unusually high pre-leasing or sales commitments, and are usually required to provide substantial financial statements and personal guarantees. These financial requirements limit the type of developer who can secure financing for mixed-use projects and increases the threshold project size necessary to generate an acceptable return on investment.

Possible City Responses:

- *Learn About Lenders' Needs.* The cities should discuss their commitment to mixed-use development with their local lending community. Together, they should seek ways to create a market context that supports mixed-use projects, and find ways to anticipate and accommodate each other's objectives.

Westside Land Prices Adjust Unusually Slowly in Response to Market and Regulatory Changes. High land cost is a persistent and significant problem for development on the Westside in general, and for riskier product types, such as mixed-use development, in particular. Some land owners have unrealistic expectations regarding the value of their property. They are not willing to sell their land or enter into a joint venture development because they are unwilling to accept a lower land value that more correctly reflects changes in the economy or more restrictive changes in land use regulations.

Possible City Responses:

- *Provide Information to Land Owners and Develop Assistance Programs.* Target those areas where the cities want to encourage mixed-use development and work with developers and land owners to achieve mutually acceptable land values through a program of public assistance and/or acquisition and public education.

APPENDIX A

INVENTORY OF SMALL-SCALE, MIXED-USE PROJECTS

Small-Scale, Mixed-Used Development Projects in Los Angeles County

No.	Project Name	Address	Area	City	Developer	Owner	Architect	Total Site Area	# Resid Units	Resid. Floor Area (g.s.f.)	Retail Floor Area (g.s.f.)	Other Non-Resid Floor Area (g.s.f.)	Total Non-Resid Floor Area (g.s.f.)	Total Floor Area (g.s.f.)	% Resid. Floor Area	% Non-Resid. Floor Area	Cof O Date	Notes
1	South Senior Housing			Beverly Hills	City of Beverly Hills B.H. Senior Housing Corporation	B.H. Senior Housing Corporation	Kamnitzer & Cotton Associates		150		24,000 Grocery Store	877 parking spaces						
2	Pine Avenue Theater Complex			Long Beach	James Corp				142			Theaters and Restaurants						
3	Seaside Village			Long Beach	Rafkovitch Co. et. al				310		15,000	0	15,000					
4	Grand Plaza	801 W. Grand	Chinatown	Los Angeles	LA Grand Ltd.		David M Assoc.		301									
5	Mission Bay Apts.		El Sereno	Los Angeles					290									
6	San Pedro Firm Building		Little Tokyo	Los Angeles	Little Tokyo CDC		Virginia Tanzman	30,000	42		3,000	0	3,000					
7	Dunbar Hotel		South Central	Los Angeles	Dunbar EDC				73		8,000	0	8,000					
8	Sommerville I and II		South Central	Los Angeles	Dunbar EDC				41		4,000	0	4,000					
9	Venice Renaissance		Venice	Los Angeles	Harlan Lee & Associates		Johannes van Tilburg		88	102,000	30,000	0	30,000	132,000	77.3%	22.7%		
10	Wilshire Wellesley		Brentwood	Los Angeles	Disley Enterprises		Johannes van Tilburg		80	74,900	8,000	0	8,000	82,900	90.3%	9.7%		condos (12 affordable)
11	At the Riviera			Redondo Beach	Bindamar Corp.													
12	James Court	308 Broadway		Santa Monica	James Corp	James Corp and Partners	Johannes van Tilburg	30,000	32	28,884	80,440	0	80,440	118,334	24.2%	75.8%	December 1988	
13		828 Broadway		Santa Monica			Vita Cotta	150,000	24	18,820	11,083	0	11,083	29,813	60.4%	39.6%	August 1988	
14		1810 Broadway		Santa Monica		Rudy Thomeson	KL Enterprises	7,500	3	3,320	2,381	0	2,381	5,681	58.4%	41.6%	October 1988	
15		1541 Ocean Avenue		Santa Monica	Herb Kendall		Donald L. Prachnow	30,000	10	9,143	55,778	0	55,778	64,821	14.1%	85.9%	1984	
16		2224 Main Street		Santa Monica		Stanley & Susan Caplan	Stephen Frew Goldman/Firth Arch	8,200	1	3,570	4,805	0	4,805	8,475	42.1%	67.9%	1981	
17		3110 Main Street		Santa Monica		3110 Main Assoc.	Raymond Hansen Assoc.		4	3,000	8,400	0	8,400	8,400	31.9%	68.1%	December 1988	
18		1415 8th Street		Santa Monica		Robert Coleman		7,500		2,780	4,805	0	4,805	7,885	38.2%	83.8%		
19		1540 7th Street		Santa Monica			Widom Wein & Partners	7,500	3	1,540	8,400	0	8,400	7,940	18.4%	80.6%	1987	
20		1543 7th Street		Santa Monica			Urmston Stahl Assoc	7,500	3	8,258	5,944	0	5,944	12,200	51.3%	48.7%	November 1988	
21		730 Arizona		Santa Monica					4								March 1988	
22		1511 18th Street		Santa Monica					3	5,510	4,322	0	8,832				August 1981	
23		1423 2nd Street		Santa Monica					44	8,300							October 1984	
24	Brisa del Sol	1231 Cabrillo		Torrance	Goscon Mont/City of Torrance Red. Agency		Bowlus, Edinger & Starck	30,000	104		0	28,000 Med office School Restaurant	28,000					33 affordable units
25		8704 Santa Monica Blvd and 800 N. Westbourne Dr		West Hollywood		Ralf Borschneider	Prats Colfax Architects, Inc			8,467	1,454	8,800 Office	10,254					
26		1114 N. Orange Grove Ave *		West Hollywood		Terry Moulton	Hammid Gabbay		20		1,600	0	1,600					

APPENDIX B

FEASIBILITY MODEL DATA SHEETS FOR THE WESTSIDE CITIES MIXED-USE PROTOTYPE PROJECTS

Enter Variables in the Shaded Region

0 for Beverly Hills
1 for Culver City 0
2 for Santa Monica
3 for West Hollywood

Lot Description and Zoning Requirements

Lot Dimensions:
Width 103.9 feet
Depth 158 feet

Incursions (if any):
Width 0 feet
Depth 0 feet

Height Limit: 45 feet
Number of Stories: 3

1.78 to 1.0 FAR

Lot Size: 16,416 sq. ft.

IRR for Current Scenerio:	Gross Building Area For This Site:
4.06%	29,157

Commercial Space Mix:

Type of Space	Rentable S.F.	Mix	Rent/ S.F.	Parking/ 1000 S.F.
Retail	6,524	100%	$2.35	4.1
Office	0	0%	$0.00	0.0
Total/Weighted Average	6,524	100%	$2.35	4.1

Current Designed Gross Building Area (Housing + Commercial):	IRR for Current Scenerio:
29,159 sq. ft.	4.06%

Commercial Net Usable/Gross Ratio: 85%
Commercial Net Rentable/Gross Ratio: 98%
Commercial Gross Square Feet 6,659

Housing Space Mix:

Number of Units (target): 16
Percent Affordable Units (target) 0%

Actual Number of Units: 16
Actual Percent Affordable: 0.00%

Current Designed Gross Building Area (Housing + Commercial):	IRR For Current Scenerio:
29,159 sq. ft.	4.06%

Type of Unit	Units	Mix of Total	Mix of Total	Mix of Type	S.F.	Initial Rent/ S.F.	Initial Rent/ Unit	Parking/ Unit
Market Rate Units:			Actual after rounding					
Must add up to		100%						
Studio	0	0%	0.00%	0.00%	800	$0.00	$0	2.25
1-bedroom	8	50%	50.00%	50.00%	1,000	$1.15	$1,150	2.25
2-bedroom	8	50%	50.00%	50.00%	1,200	$1.17	$1,400	2.25
Total/Weighted Average	16	100%	100.00%	100%	1100	$1.16	$1,275	2.25
Low Income Units								
Must add up to		0%						
Studio	0	0%	0.00%	0.00%	800	$0.00	$0	2.25
1-bedroom	0	0%	0.00%	0.00%	1000	$0.00	$0	2.25
2-bedroom	0	0%	0.00%	0.00%	1,200	$0.00	$0	2.25
Very Low Income Units:								
1-bedroom	0	0%	0.00%	0.00%	600	$1.00	$600	2.0
2-bedroom	0	0%	0.00%	0.00%	850	$1.07	$912	2.0
3-bedroom	0	0%	0.00%	0.00%	1100	$0.73	$800	2.0
Total/Weighted Average	0	0%	0.00%	0%	0	$0.00	$0	0.0
Overall Total/ Weighted Average	16	100%	100%		1,100	$1.16	$1,275	2.3

Housing Net Rentable/Gross Ratio 78.22%
Housing Gross S.F. 22,500
Housing Net Rentable S.F. 17,600

Current Designed Gross Building Area (Housing + Commercial):	IRR For Current Scenerio:
29,159 sq. ft.	4.06%

Development Costs, Operating and Financial Assumptions:

Development Costs:

	Retail	Office	Housing	Other/Parking	
Land/Demolition Cost	na	na	na	$110.00	per land s.f.
Base Construction Cost	$70.00	$70.00	$70.00	$22.23	per gross s.f.
Tenant Improvements	$0.00	$25.00	na	na	per rentable s.f.
Landscape/Amenities	na	na	na	$7.50	per open space s.f
Development Fees	$1.00	$1.00	$1.50	$0.40	per rentable s.f. *

* Enter 1 if you wish to calculate the development fees using FeeCalc.
OR Enter 0 if you wish to enter development fees above (in yellow shading): 1

Please enter fees in FeeCalc on the next page
Note: Remember to re-enter changes in FeeCalc if new entries are made in the Variable Page!

Parking:

	Square Feet	Cost per Sq. Ft.	Total Cost
1 Levels Below Grade	16,446	$30	$493,380
1/2 Level Below Grade	0	$20	$0
At Grade	7,418	$5	$37,090
2 and 3 Levels Below Grade	0	$35	$0
Total/Weighted Average	23,864	$22	$530,470

Target Gross S.F. Per Parking Space:	356	
Average Monthly revenue Per Space:	$70	commercial spaces only
Guest Spaces	4	

Debt Coverage, Commercial	1.25
	1.25
	8.50%
	25

IRR For Current Scenerio: 4.06%

	Retail	Office	Housing	Parking	
Lease-up Period	1	1	1	1	years
Stabilized Occupancy	90.0%	90.0%	90.0%	90.0%	
Misc. Revenue Factor	0.0%	0.0%	0.0%	0.0%	
Annual Rent Increase	3.0%	3.0%	3.0%	3.0%	
Expense/Revenue Ratio	4.3%	0.0%	17.0%	15.0%	(including property taxes)
Property Taxes	1.0%	1.0%	1.0%	1.0%	(increases 2% annually)
Lease Commissions	5.00%	5.00%	NA	NA	

Financial Assumptions:

Capitalization Rate	
Commercial Space/Parking	10.0%
Market Rate Housing	10.0%
Affordable Housing	10.0%
Selling Expenses	3.0%
Present Value Discount Rate	15.0%
Cost of Equity	0.0%
Soft Costs (as % of hard costs):	
A & E/Site Analysis	2.0%
Insurance/Bonds	1.0%
Legal/Accounting	1.0%
Building Permits	1.0%
Taxes	0.5%
Marketing	0.5%
Miscellaneous	0.5%
Developer's Fee/Overhead	6.0%
Total	12.50%

Current Designed Gross Building Area (Housing + Commercial): 29,159 sq. ft.

IRR for Current Scenerio: 4.06%

Print Whole Report | Print Variable Page Only

Matrix 1 -- Alternatives Matrix

count 1 =	*0*	*1*	*2*	*3*
	Beverly	Culver	Santa	West Holly
Width	103.9	100	100	239.1
Depth	158	107.7	150	199.2
# Housing Units	16	9	19	21
Housing Ratio	0.7822	0.8817	0.8087	0.8828
Retail Rentable	6524	3875	9940	22000
Office Rentable	0	0	20143	59911
Commercial Ratio	0.9797	0.9598	0.8407	0.9768
Stories	3	3	6	4
Height	45	46	84	60
FAR	1.776	1.720	3.0	2.2
Housing FAR	1.371	0.570	0.4	0.2
Commercial FAR	0.406	1.150	2.7	2.0
Spaces/DU	2.25	2.333	2	2.8
Spaces/1K Office	0	0	1.5	3.2
Spaces/1K Retail	4.1	3.8	0	3.2
At Grade	7418	3570	0	0
1/2 Below Grade	0	0	0	0
1 Level Below Grad	16446	9192	15000	30600
2 & 3 Levels Below	0	6176	15000	72800
SF/Space	356	510	349	375
Guest Spaces	4	0	4.4	5.25
2-bedroomsf	1200	1200	1200	1200
1-bedroomsf	1000	1000	1000	1000
2Br - Sr		800		
Senior	0%	33%	0%	0%
1-bedroom %	50%	33%	11%	52%
2-bedroom %	50%	33%	58%	29%
LI 2-bedroomsf			1200	
LI 1-bedroomsf			1000	
LI studiosf				
LI studio %	0%	0%	0%	0%
LI 1-bedroom %	0%	0%	16%	10%
LI 2-bedroom %	0%	0%	16%	10%

Enter Variables in the Shaded Region

0 for Beverly Hills
1 for Culver City 1
2 for Santa Monica
3 for West Hollywood

Lot Description and Zoning Requirements

Lot Dimensions:			Incursions (if any):				
Width	100	feet	Width	0	feet	Height Limit:	46 feet
Depth	107.7	feet	Depth	0	feet	Number of Stories:	3

1.72 to 1.0 FAR Lot Size: 10,770 sq. ft.

IRR for Current Scenerio:	Gross Building Area For This Site:
-6.64%	18,524

Commercial Space Mix:

Type of Space	Rentable S.F.	Mix	Rent/ S.F.	Parking/ 1000 S.F.
Retail	3,875	100%	$1.40	3.8
Office	0	0%	$0.00	0.0
Total/Weighted Average	3,875	100%	$1.40	3.8

Current Designed Gross Building Area (Housing + Commercial):	IRR for Current Scenerio:
14,245 sq. ft.	-6.64%

Commercial Net Usable/Gross Ratio: 85%
Commercial Net Rentable/Gross Ratio: 96%
Commercial Gross Square Feet 4,037

Housing Space Mix:

Number of Units (target): 9
Percent Affordable Units (target) 0%

Actual Number of Units: 9
Actual Percent Affordable: 0.00%

Current Designed Gross Building Area (Housing + Commercial):	IRR For Current Scenerio:
14,245 sq. ft.	-6.64%

Type of Unit	Units	Mix of Total	Mix of Total	Mix of Type	S.F.	Initial Rent/ S.F.	Initial Rent/ Unit	Parking/ Unit
Market Rate Units:			Actual after rounding					
Must add up to		100%						
Studio	3	33%	33.33%	33.33%	800	$0.00	$0	2.33
1-bedroom	3	33%	33.33%	33.33%	1,000	$0.70	$700	2.33
2-bedroom	3	33%	33.33%	33.33%	1,200	$0.83	$1,000	2.33
Total/Weighted Average	9	100%	100.00%	100%	1000	$0.51	$567	2.33
Low Income Units								
Must add up to		0%						
Studio	0	0%	0.00%	0.00%	800	$0.83	$667	2.33
1-bedroom	0	0%	0.00%	0.00%	1000	$0.00	$0	2.33
2-bedroom	0	0%	0.00%	0.00%	1,200	$0.00	$0	2.33
Very Low Income Units:								
1-bedroom	0	0%	0.00%	0.00%	600	$1.00	$600	2.0
2-bedroom	0	0%	0.00%	0.00%	850	$1.07	$912	2.0
3-bedroom	0	0%	0.00%	0.00%	1100	$0.73	$800	2.0
Total/Weighted Average	0	0%	0.00%	0%	0	$0.00	$0	0.0
Overall Total/ Weighted Average	9	100%	100%		1,000	$0.51	$567	2.3

Housing Net Rentable/Gross Ratio 88.17%
Housing Gross S.F. 10,208
Housing Net Rentable S.F. 9,000

Current Designed Gross Building Area (Housing + Commercial):	IRR For Current Scenerio:
14,245 sq. ft.	-6.64%

Development Costs, Operating and Financial Assumptions:

Development Costs:

	Retail	Office	Housing	Other/Parking	
Land/Demolition Cost	na	na	na	$51.66	per land s.f.
Base Construction Cost	$70.00	$70.00	$70.00	$26.92	per gross s.f.
Tenant Improvements	$0.00	$25.00	na	na	per rentable s.f.
Landscape/Amenities	na	na	na	$7.50	per open space s.f.
Development Fees	$1.00	$1.00	$1.50	$0.40	per rentable s.f. *

* Enter 1 if you wish to calculate the development fees using FeeCalc.
OR Enter 0 if you wish to enter development fees above (in yellow shading): 1

Please enter fees in FeeCalc on the next page
Note: Remember to re-enter changes in FeeCalc if new entries are made in the Variable Page!

Parking:

	Square Feet	Cost per Sq. Ft.	Total Cost
1 Levels Below Grade	9,192	$30	$275,760
1/2 Level Below Grade	0	$20	$0
At Grade	3,570	$5	$17,850
2 and 3 Levels Below Grade	6,176	$35	$216,160
Total/Weighted Average	18,938	$27	$509,770

Target Gross S.F. Per Parking Space:	510	
Average Monthly revenue Per Space:	$50	commercial spaces only
Guest Spaces	0	

Financing:

Debt Coverage, Commercial	1.25	
Debt Coverage, Residential	1.25	
Loan Interest Rate	8.50%	
Permanent Loan Amortization	25	years

IRR For Current Scenerio: -6.64%

Operating Assumptions (as % of revenue, excluding taxes):

	Retail	Office	Housing	Parking	
Lease-up Period	1	1	1	1	years
Stabilized Occupancy	90.0%	90.0%	90.0%	90.0%	
Misc. Revenue Factor	0.0%	0.0%	0.0%	0.0%	
Annual Rent Increase	3.0%	3.0%	3.0%	3.0%	
Expense/Revenue Ratio	7.1%	0.0%	38.2%	15.0%	(including property taxes)
Property Taxes	1.0%	1.0%	1.0%	1.0%	(increases 2% annually)
Lease Commissions	5.00%	5.00%	NA	NA	

Financial Assumptions:

Capitalization Rate	
Commercial Space/Parking	10.0%
Market Rate Housing	10.0%
Affordable Housing	10.0%
Selling Expenses	3.0%
Present Value Discount Rate	15.0%
Cost of Equity	0.0%

Current Designed Gross Building Area (Housing + Commercial): 14,245 sq. ft.

IRR for Current Scenerio: -6.64%

Soft Costs (as % of hard costs):

A & E/Site Analysis	2.0%
Insurance/Bonds	1.0%
Legal/Accounting	1.0%
Building Permits	1.0%
Taxes	0.5%
Marketing	0.5%
Miscellaneous	0.5%
Developer's Fee/Overhead	6.0%
Total	12.50%

Print Whole Report | Print Variable Page Only

Matrix 1 -- Alternatives Matrix

count 1 =	*0*	*1*	*2*	*3*
	Beverly	Culver	Santa	West Holly
Width	103.9	100	100	239.1
Depth	158	107.7	150	199.2
# Housing Units	16	9	19	21
Housing Ratio	0.7822	0.8817	0.8087	0.8828
Retail Rentable	6524	3875	9940	22000
Office Rentable	0	0	20143	59911
Commercial Ratio	0.9797	0.9598	0.8407	0.9768
Stories	3	3	6	4
Height	45	46	84	60
FAR	1.776	1.720	3.0	2.2
Housing FAR	1.371	0.570	0.4	0.2
Commercial FAR	0.406	1.150	2.7	2.0
Spaces/DU	2.25	2.333	2	2.8
Spaces/1K Office	0	0	1.5	3.2
Spaces/1K Retail	4.1	3.8	0	3.2
At Grade	7418	3570	0	0
1/2 Below Grade	0	0	0	0
1 Level Below Grad	16446	9192	15000	30600
2 & 3 Levels Below	0	6176	15000	72800
SF/Space	356	510	349	375
Guest Spaces	4	0	4.4	5.25
2-bedroomsf	1200	1200	1200	1200
1-bedroomsf	1000	1000	1000	1000
2Br - Sr		800		
Senior	0%	33%	0%	0%
1-bedroom %	50%	33%	11%	52%
2-bedroom %	50%	33%	58%	29%
LI 2-bedroomsf			1200	
LI 1-bedroomsf			1000	
LI studiosf				
LI studio %	0%	0%	0%	0%
LI 1-bedroom %	0%	0%	16%	10%
LI 2-bedroom %	0%	0%	16%	10%

Matrix 1 -- Alternatives Matrix

count 1 =	*0*	*1*	*2*	*3*
	Beverly	Culver	Santa	West Holly
Width	103.9	100	100	239.1
Depth	158	107.7	150	199.2
# Housing Units	16	9	19	21
Housing Ratio	0.7822	0.8817	0.8087	0.8828
Retail Rentable	6524	3875	9940	22000
Office Rentable	0	0	20143	59911
Commercial Ratio	0.9797	0.9598	0.8407	0.9768
Stories	3	3	6	4
Height	45	46	84	60
FAR	1.776	1.720	3.0	2.2
Housing FAR	1.371	0.570	0.4	0.2
Commercial FAR	0.406	1.150	2.7	2.0
Spaces/DU	2.25	2.333	2	2.8
Spaces/1K Office	0	0	1.5	3.2
Spaces/1K Retail	4.1	3.8	0	3.2
At Grade	7418	3570	0	0
1/2 Below Grade	0	0	0	0
1 Level Below Grad	16446	9192	15000	30600
2 & 3 Levels Below	0	6176	15000	72800
SF/Space	356	510	349	375
Guest Spaces	4	0	4.4	5.25
2-bedroomsf	1200	1200	1200	1200
1-bedroomsf	1000	1000	1000	1000
2Br - Sr		800		
Senior	0%	33%	0%	0%
1-bedroom %	50%	33%	11%	52%
2-bedroom %	50%	33%	58%	29%
LI 2-bedroomsf			1200	
LI 1-bedroomsf			1000	
LI studiosf				
LI studio %	0%	0%	0%	0%
LI 1-bedroom %	0%	0%	16%	10%
LI 2-bedroom %	0%	0%	16%	10%

Enter Variables in the Shaded Region

0 for Beverly Hills
1 for Culver City 3
2 for Santa Monica
3 for West Hollywood

Lot Description and Zoning Requirements

Lot Dimensions:
Width 239.1 feet
Depth 199.2 feet

Incursions (if any)
Width 0 feet
Depth 0 feet

Height Limit: 60 feet
Number of Stories: 4

2.20 to 1.0 FAR

Lot Size: 47,629 sq. ft.

6.19%	For This Site:	104,783

Commercial Space Mix:

Type of Space	Rentable S.F.	Mix	Rent/ S.F.	Parking/ 1000 S.F.
Retail	22,000	27%	$2.25	3.2
Office	59,911	73%	$1.65	3.2
Total/Weighted Average	81,911	100%	$1.81	3.2

Current Designed Gross Building Area (Housing + Commercial): 108,098 sq. ft.

IRR for Current Scenerio: 6.19%

Commercial Net Usable/Gross Ratio: 85%
Commercial Net Rentable/Gross Ratio: 98%
Commercial Gross Square Feet 83,857

Housing Space Mix:

Number of Units (target): 21
Percent Affordable Units (target): 0%

Actual Number of Units: 21
Actual Percent Affordable: 0.00%

Current Designed Gross Building Area (Housing + Commercial): 108,098 sq. ft.	IRR For Current Scenerio: 6.19%

Type of Unit	Units	Mix of Total	Mix of Total	Mix of Type	S.F.	Initial Rent/ S.F.	Initial Rent/ Unit	Parking/ Unit
Market Rate Units:			Actual after rounding					
Must add up to		100%						
Studio	4	19%	19.05%	19.05%	800	$0.00	$0	2.80
1-bedroom	11	52%	52.38%	52.38%	1,000	$0.95	$950	2.80
2-bedroom	6	29%	28.57%	28.57%	1,200	$1.04	$1,250	2.80
Total/Weighted Average	21	100%	100.00%	100%	1019	$0.80	$855	2.80
Low Income Units								
Must add up to		0%						
Studio	0	0%	0.00%	0.00%	800	$0.00	$0	2.80
1-bedroom	0	10%	0.00%	0.00%	1000	$0.48	$477	2.80
2-bedroom	0	10%	0.00%	0.00%	1,200	$0.55	$665	2.80
Very Low Income Units:								
1-bedroom	0	0%	0.00%	0.00%	800	$1.00	$600	2.0
2-bedroom	0	0%	0.00%	0.00%	850	$1.07	$912	2.0
3-bedroom	0	0%	0.00%	0.00%	1100	$0.73	$800	2.0
Total/Weighted Average	0	0%	0.00%	0%	0	$0.00	$0	0.0
Overall Total/ Weighted Average	21	100%	100%		1,019	$0.80	$855	2.8

Housing Net Rentable/Gross Ratio 88.28%
Housing Gross S.F. 24,241
Housing Net Rentable S.F. 21,400

Current Designed Gross Building Area (Housing + Commercial): 108,098 sq. ft.	IRR For Current Scenerio: 6.19%

Development Costs, Operating and Financial Assumptions:

Development Costs:

	Retail	Office	Housing	Other/Parking	
Land/Demolition Cost	na	na	na	$75.00	per land s.f.
Base Construction Cost	$70.00	$70.00	$70.00	$33.52	per gross s.f.
Tenant Improvements	$0.00	$25.00	na	na	per rentable s.f.
Landscape/Amenities	na	na	na	$7.50	per open space s.f.
Development Fees	$1.00	$1.00	$1.50	$0.40	per rentable s.f. *

* Enter 1 if you wish to calculate the development fees using FeeCalc.
OR Enter 0 if you wish to enter development fees above (in yellow shading): 1

Please enter fees in FeeCalc on the next page
Note: Remember to re-enter changes in FeeCalc if new entries are made in the Variable Page!

Parking:

	Square Feet	Cost per Sq. Ft.	Total Cost
1 Levels Below Grade	30,600	$30	$918,000
1/2 Level Below Grade	0	$20	$0
At Grade	0	$5	$0
2 and 3 Levels Below Grade	72,800	$35	$2,548,000
Total/Weighted Average	103,400	$34	$3,466,000

Target Gross S.F. Per Parking Space:	375	
Average Monthly revenue Per Space:	$60	commercial spaces only
Guest Spaces	6.25	

Financing:

Debt Coverage, Commercial	1.25	
Debt Coverage, Residential	1.25	
Loan Interest Rate	8.50%	
Permanent Loan Amortization	25	years

IRR For Current Scenerio: 6.19%

Operating Assumptions (as % of revenue, excluding taxes):

	Retail	Office	Housing	Parking	
Lease-up Period	1	1	1	1	years
Stabilized Occupancy	90.0%	90.0%	90.0%	90.0%	
Misc. Revenue Factor	0.0%	0.0%	0.0%	0.0%	
Annual Rent Increase	3.0%	3.0%	3.0%	3.0%	
Expense/Revenue Ratio	4.4%	35.4%	25.3%	15.0%	(including property taxes)
Property Taxes	1.0%	1.0%	1.0%	1.0%	(increases 2% annually)
Lease Commissions	5.00%	5.00%	NA	NA	

Financial Assumptions:

Capitalization Rate	
Commercial Space/Parking	10.0%
Market Rate Housing	10.0%
Affordable Housing	10.0%
Selling Expenses	3.0%
Present Value Discount Rate	15.0%
Cost of Equity	0.0%

Current Designed Gross Building Area (Housing + Commercial): 108,098 sq. ft.

IRR for Current Scenerio: 6.19%

Soft Costs (as % of hard costs):

A & E/Site Analysis	2.0%
Insurance/Bonds	1.0%
Legal/Accounting	1.0%
Building Permits	1.0%
Taxes	0.5%
Marketing	0.5%
Miscellaneous	0.5%
Developer's Fee/Overhead	6.0%
Total	12.50%

Print Whole Report | Print Variable Page Only

Enter Variables in the Shaded Region

0 for Beverly Hills
1 for Culver City 2
2 for Santa Monica
3 for West Hollywood

Lot Description and Zoning Requirements

Lot Dimensions:
Width 100 feet
Depth 150 feet

Incursions (if any)
Width 0 feet
Depth 0 feet

Height Limit: 84 feet
Number of Stories: 6

3.00 to 1.0 FAR

Lot Size: 15,000 sq. ft

IRR for Current Scenerio:	Gross Building Area For This Site:
8.91%	45,000

Commercial Space Mix:

Type of Space	Rentable S.F.	Mix	Rent/ S.F.	Parking/ 1000 S.F.
Retail	9,940	33%	$1.75	0.0
Office	20,143	67%	$2.15	1.5
Total/Weighted	30,083	100%	$2.02	1.0

Current Designed Gross Building Area (Housing + Commercial): 62,740 sq. ft.

IRR for Current Scenerio: 8.91%

85%
84%

19
32%

Current Designed Gross Building Area (Housing + Commercial): 62,740 sq. ft.	IRR For Current Scenerio: 8.91%

Type of Unit	Units	Mix of Total	Mix of Total	Mix of Type	S.F.	Initial Rent/ S.F.	Initial Rent/ Unit	Parking/ Unit
Market Rate Units:			Actual after rounding					
Must add up to		68%						
Studio	0	RETRY	0.00%	0.00%	800	$0.00	$0	2.00
1-bedroom	2	11%	10.53%	15.38%	1,000	$0.95	$950	2.00
2-bedroom	11	58%	57.89%	84.62%	1,200	$1.08	$1,300	2.00
Total/Weighted Average	13	68%	68.42%	100%	1169	$1.06	$1,246	2.00
Low Income Units								
Must add up to		32%						
Studio	0	RETRY	0.00%	0.00%	1200	$0.00	$0	2.00
1-bedroom	3	16%	15.79%	50.00%	1000	$0.85	$850	2.00
2-bedroom	3	16%	15.79%	50.00%	1,200	$0.98	$1,175	2.00
Very Low Income Units:								
1-bedroom	0	0%	0.00%	0.00%	800	$1.00	$800	2.0
2-bedroom	0	0%	0.00%	0.00%	850	$1.07	$912	2.0
3-bedroom	0	0%	0.00%	0.00%	1100	$0.73	$800	2.0
Total/Weighted Average	6	32%	31.58%	100%	1,100	$0.91	$1,013	2.0
Overall Total/ Weighted Average	19	100%	100%		1,147	$1.02	$1,172	2.0

Housing Net Rentable/Gross Ratio 80.87%
Housing Gross S.F. 26,958
Housing Net Rentable S.F. 21,800

Current Designed Gross Building Area (Housing + Commercial): 62,740 sq. ft.	IRR For Current Scenerio: 8.91%

Development Costs, Operating and Financial Assumptions:

Development Costs:

	Retail	Office	Housing	Other/Parking	
Land/Demolition Cost	na	na	na	$86.66	per land s.f.
Base Construction Cost	$70.00	$70.00	$70.00	$32.50	per gross s.f.
Tenant Improvements	$0.00	$25.00	na	na	per rentable s.f.
Landscape/Amenities	na	na	na	$7.50	per open space s.f.
Development Fees	$1.00	$1.00	$1.50	$0.40	per rentable s.f. *

* Enter 1 if you wish to calculate the development fees using FeeCalc.
OR Enter 0 if you wish to enter development fees above (in yellow shading): 1

Please enter fees in FeeCalc on the next page
Note: Remember to re-enter changes in FeeCalc if new entries are made in the Variable Page!

Parking:

	Square Feet	Cost per Sq. Ft.	Total Cost
1 Levels Below Grade	15,000	$30	$450,000
1/2 Level Below Grade	0	$20	$0
At Grade	0	$5	$0
2 and 3 Levels Below Grade	15,000	$35	$525,000
Total/Weighted Average	30,000	$33	$975,000

Target Gross S.F. Per Parking Space:	349	
Average Monthly revenue Per Space:	$60	commercial spaces only
Guest Spaces	4.4	

Debt Coverage, Commercial	1.25	
	1.25	
	8.50%	
	25	years

IRR For Current Scenerio: 8.91%

Operating Assumptions (as % of revenue, excluding taxes):

	Retail	Office	Housing	Parking	
Lease-up Period	1	1	1	1	years
Stabilized Occupancy	90.0%	90.0%	90.0%	90.0%	
Misc. Revenue Factor	0.0%	0.0%	0.0%	0.0%	
Annual Rent Increase	3.0%	3.0%	3.0%	3.0%	
Expense/Revenue Ratio	5.7%	27.1%	18.5%	15.0%	(including property taxes)
Property Taxes	1.0%	1.0%	1.0%	1.0%	(increases 2% annually)
Lease Commissions	5.00%	5.00%	NA	NA	

Financial Assumptions:

Capitalization Rate	
Commercial Space/Parking	10.0%
Market Rate Housing	10.0%
Affordable Housing	10.0%
Selling Expenses	3.0%
Present Value Discount Rate	15.0%
Cost of Equity	0.0%

Current Designed Gross Building Area (Housing + Commercial): 62,740 sq. ft.

IRR for Current Scenerio: 8.91%

Soft Costs (as % of hard costs):

A & E/Site Analysis	2.0%
Insurance/Bonds	1.0%
Legal/Accounting	1.0%
Building Permits	1.0%
Taxes	0.5%
Marketing	0.5%
Miscellaneous	0.5%
Developer's Fee/Overhead	6.0%
Total	12.50%

Print Whole Report | Print Variable Page Only

Matrix 1 -- Alternatives Matrix

count 1 =	*0*	*1*	*2*	*3*
	Beverly	Culver	Santa	West Holly
Width	103.9	100	100	239.1
Depth	158	107.7	150	199.2
# Housing Units	16	9	19	21
Housing Ratio	0.7822	0.8817	0.8087	0.8828
Retail Rentable	6524	3875	9940	22000
Office Rentable	0	0	20143	59911
Commercial Ratio	0.9797	0.9598	0.8407	0.9768
Stories	3	3	6	4
Height	45	46	84	60
FAR	1.776	1.720	3.0	2.2
Housing FAR	1.371	0.570	0.4	0.2
Commercial FAR	0.406	1.150	2.7	2.0
Spaces/DU	2.25	2.333	2	2.8
Spaces/1K Office	0	0	1.5	3.2
Spaces/1K Retail	4.1	3.8	0	3.2
At Grade	7418	3570	0	0
1/2 Below Grade	0	0	0	0
1 Level Below Grad	16446	9192	15000	30600
2 & 3 Levels Below	0	6176	15000	72800
SF/Space	356	510	349	375
Guest Spaces	4	0	4.4	5.25
2-bedroomsf	1200	1200	1200	1200
1-bedroomsf	1000	1000	1000	1000
2Br - Sr		800		
Senior	0%	33%	0%	0%
1-bedroom %	50%	33%	11%	52%
2-bedroom %	50%	33%	58%	29%
LI 2-bedroomsf			1200	
LI 1-bedroomsf			1000	
LI studiosf				
LI studio %	0%	0%	0%	0%
LI 1-bedroom %	0%	0%	16%	10%
LI 2-bedroom %	0%	0%	16%	10%

APPENDIX C

10-YEAR CASH FLOW STATEMENTS FOR THE WESTSIDE CITIES MIXED-USE PROTOTYPE PROJECTS

DEVELOPMENT COSTS AND OPERATING PROJECTIONS
IN $ 000's

BEVERLY HILLS

	Month 0	Month 1 Pre-Dev	Month 2 Pre-Dev	Month 3 Pre-Dev	Month 4 Pre-Dev	Month 5 Pre-Dev	Month 6 Pre-Dev	Month 7 Pre-Dev	Month 8 Pre-Dev	Month 9 Pre-Dev	Year of Construc.	Year 1 Lease-up	Year 2 Oper.	Year 3 Oper.	Year 4 Oper.	Year 5 Oper.	Year 6 Oper.	Year 7 Oper.	Year 8 Oper.	Year 9 Oper.	Year 10 Oper.
Development Activity:																					
Equity Investment	(18.06)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1,787.72)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Installment Dev. Fees + Soft C	0.00	(37.98)	(37.98)	(37.98)	(37.98)	(37.98)	(37.98)	(37.98)	(37.98)	(181.41)	(7.87)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,722.42
Loan Repayment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(2,428.82)
Ongoing Operations:																					
Retail Space:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	83.94	172.98	178.24	183.66	189.25	195.01	200.94	207.05	213.35	237.86
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(3.56)	(7.30)	(7.48)	(7.66)	(7.84)	(8.04)	(8.23)	(8.43)	(8.64)	(9.58)
Office Space:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Parking:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.35	21.32	21.97	22.64	23.33	24.04	24.77	25.52	26.30	29.32
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1.55)	(3.15)	(3.22)	(3.28)	(3.35)	(3.41)	(3.48)	(3.55)	(3.63)	(4.00)
Market Housing:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	111.69	230.17	237.17	244.38	251.82	259.48	267.37	275.50	283.88	316.50
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(18.92)	(38.75)	(39.68)	(40.63)	(41.60)	(42.60)	(43.62)	(44.67)	(45.74)	(50.70)
Affordable Housing:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(277.92)	(277.92)	(277.92)	(277.92)	(277.92)	(277.92)	(277.92)	(277.92)	(277.92)	(301.08)
Lease Commissions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(4.20)	(35.41)	0.00	0.00	0.00	(9.75)	(42.06)	0.00	0.00	0.00
Pretax Cash Flow	(18)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(1,969)	(7.87)	(100.17)	61.95	109.10	121.20	133.69	136.80	117.76	173.50	187.60	2,511.92

FINANCIAL RETURNS

IRR 4.06%

DEVELOPMENT COSTS AND OPERATING PROJECTIONS
IN $ 000's

CULVER CITY

	Month 0	Month 1 Pre-Dev	Month 2 Pre-Dev	Month 3 Pre-Dev	Month 4 Pre-Dev	Month 5 Pre-Dev	Month 6 Pre-Dev	Month 7 Pre-Dev	Month 8 Pre-Dev	Month 9 Pre-Dev	Year of Construc.	Year 1 Lease-up	Year 2 Oper.	Year 3 Oper.	Year 4 Oper.	Year 5 Oper.	Year 6 Oper.	Year 7 Oper.	Year 8 Oper.	Year 9 Oper.	Year 10 Oper.
Development Activity:																					
Equity Investment	(5.56)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(550.81)	(852.33)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Installment Dev. Fees + Soft C	0.00	(22.49)	(22.49)	(22.49)	(22.49)	(22.49)	(22.49)	(22.49)	(22.49)	(102.34)	(4.66)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,259.75
Loan Repayment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(645.25)
Ongoing Operations:																					
Retail Space:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.70	61.21	63.07	64.99	66.97	69.00	71.10	73.26	75.49	84.17
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(2.12)	(4.33)	(4.44)	(4.55)	(4.66)	(4.77)	(4.89)	(5.00)	(5.13)	(5.68)
Office Space:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Parking:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.11	8.46	8.72	8.98	9.26	9.54	9.83	10.13	10.44	11.64
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.61)	(1.25)	(1.28)	(1.30)	(1.33)	(1.36)	(1.38)	(1.41)	(1.44)	(1.59)
Market Housing:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.92	57.54	59.29	61.10	62.95	64.87	66.84	68.88	70.97	79.12
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(10.66)	(21.87)	(22.44)	(23.03)	(23.64)	(24.26)	(24.90)	(25.55)	(26.22)	(29.13)
Affordable Housing:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(76.25)	(76.25)	(76.25)	(76.25)	(76.25)	(76.25)	(76.25)	(76.25)	(76.25)	(82.60)
Lease Commissions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1.49)	(12.53)	0.00	0.00	0.00	(3.45)	(14.88)	0.00	0.00	0.00
Pretax Cash Flow	(6)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(653)	(856.99)	(29.39)	10.98	26.68	29.94	33.31	33.33	25.48	44.05	47.86	670.42

FINANCIAL RETURNS

IRR -6.64%

DEVELOPMENT COSTS AND OPERATING PROJECTIONS
IN $ 000's

WEST HOLLYWOOD

	Month 0	Month 1 Pre-Dev	Month 2 Pre-Dev	Month 3 Pre-Dev	Month 4 Pre-Dev	Month 5 Pre-Dev	Month 6 Pre-Dev	Month 7 Pre-Dev	Month 8 Pre-Dev	Month 9 Pre-Dev	Year of Construc.	Year 1 Lease-up	Year 2 Oper.	Year 3 Oper.	Year 4 Oper.	Year 5 Oper.	Year 6 Oper.	Year 7 Oper.	Year 8 Oper.	Year 9 Oper.	Year 10 Oper.
Development Activity:																					
Equity Investment	(35.72)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(3,536.43)	(1,366.49)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Installment Dev. Fees + Soft C	0.00	(183.78)	(183.78)	(183.78)	(183.78)	(183.78)	(183.78)	(183.78)	(183.78)	(738.61)	(38.06)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,609.18
Ongoing Operations:																					
Retail Space:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	271.01	558.50	575.49	592.99	611.03	629.61	648.76	668.49	688.83	767.97
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(12.01)	(24.61)	(25.21)	(25.82)	(26.45)	(27.10)	(27.76)	(28.44)	(29.13)	(32.30)
Office Space:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	541.21	1,115.34	1,149.26	1,184.22	1,220.24	1,257.35	1,295.60	1,335.00	1,375.61	1,533.66
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(191.18)	(393.30)	(404.56)	(416.15)	(428.07)	(440.35)	(452.98)	(465.98)	(479.36)	(533.60)
Commercial Parking:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	86.06	177.37	182.76	188.32	194.05	199.95	206.03	212.30	218.75	243.89
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(12.85)	(26.22)	(26.75)	(27.29)	(27.84)	(28.40)	(28.98)	(29.56)	(30.16)	(33.30)
Market Housing:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	98.27	202.53	208.69	215.03	221.57	228.31	235.26	242.41	249.79	278.49
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(24.87)	(51.04)	(52.39)	(53.77)	(55.19)	(56.65)	(58.15)	(59.69)	(61.27)	(68.07)
Affordable Housing:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1,192.04)	(1,192.04)	(1,192.04)	(1,192.04)	(1,192.04)	(1,192.04)	(1,192.04)	(1,192.04)	(1,192.04)	(1,291.37)
Lease Commissions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(40.61)	(342.62)	0.00	0.00	0.00	(94.35)	(406.98)	0.00	0.00	0.00
Pretax Cash Flow	(36)	(184)	(184)	(184)	(184)	(184)	(184)	(184)	(184)	(4,275)	(1,404.54)	(477.00)	23.91	415.26	465.50	517.29	476.35	218.77	682.51	741.02	10,386.98

FINANCIAL RETURNS

IRR 6.19%

DEVELOPMENT COSTS AND OPERATING PROJECTIONS
IN $ 000's

SANTA MONICA

	Month 0	Month 1 Pre-Dev	Month 2 Pre-Dev	Month 3 Pre-Dev	Month 4 Pre-Dev	Month 5 Pre-Dev	Month 6 Pre-Dev	Month 7 Pre-Dev	Month 8 Pre-Dev	Month 9 Pre-Dev	Year of Construc.	Year 1 Lease-up	Year 2 Oper.	Year 3 Oper.	Year 4 Oper.	Year 5 Oper.	Year 6 Oper.	Year 7 Oper.	Year 8 Oper.	Year 9 Oper.	Year 10 Oper.
Development Activity:																					
Equity Investment	(13.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1,286.90)	(576.96)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Installment Dev. Fees + Soft C	0.00	(85.54)	(85.54)	(85.54)	(85.54)	(85.54)	(85.54)	(85.54)	(85.54)	(375.76)	(17.71)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,606.28
Loan Repayment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(4,740.66)
Ongoing Operations:																					
Retail Space:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	95.24	196.26	202.23	208.38	214.72	221.25	227.98	234.92	242.06	269.88
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(5.42)	(11.10)	(11.36)	(11.63)	(11.90)	(12.18)	(12.46)	(12.76)	(13.06)	(14.46)
Office Space:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	237.10	488.63	503.49	518.81	534.59	550.85	567.60	584.86	602.65	671.90
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(64.27)	(132.21)	(135.98)	(139.86)	(143.85)	(147.96)	(152.19)	(156.54)	(161.01)	(179.21)
Commercial Parking:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.85	20.31	20.93	21.56	22.22	22.89	23.59	24.31	25.05	27.93
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1.47)	(3.00)	(3.06)	(3.12)	(3.19)	(3.25)	(3.32)	(3.38)	(3.45)	(3.81)
Market Housing:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	88.69	182.78	188.34	194.07	199.97	206.05	212.32	218.78	225.43	251.34
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(16.36)	(33.55)	(34.41)	(35.30)	(36.21)	(37.14)	(38.10)	(39.08)	(40.09)	(44.51)
Affordable Housing:																					
Rental Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33.26	68.54	70.63	72.78	74.99	77.27	79.62	82.04	84.54	94.25
Operating Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(6.13)	(12.58)	(12.91)	(13.24)	(13.58)	(13.93)	(14.29)	(14.66)	(15.03)	(16.69)
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(560.20)	(560.20)	(560.20)	(560.20)	(560.20)	(560.20)	(560.20)	(560.20)	(560.20)	(606.88)
Lease Commissions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(16.62)	(140.19)	0.00	0.00	0.00	(38.60)	(166.52)	0.00	0.00	0.00
Pretax Cash Flow	(13)	(86)	(86)	(86)	(86)	(86)	(86)	(86)	(86)	(1,663)	(594.68)	(206.33)	63.69	227.70	252.25	277.57	265.06	164.04	358.30	386.89	5,315.34

FINANCIAL RETURNS

IRR 8.91%

APPENDIX D

1997 UPDATES OF THE MIXED-USE PROJECT CASE STUDIES

HR&A

HAMILTON, RABINOVITZ & ALSCHULER, INC.
Policy, Financial & Management Consultants

MEMORANDUM FOR: Suzanne Frick
Ruth Nadel
Ray Reynolds
Mark Winogrond

MEMORANDUM FROM: Paul J. Silvern

SUBJECT: Updates on Mixed-Use Development Case Studies

DATE: August 28, 1997

Here is an update on the situation of the five existing mixed-use projects that we profiled in our 1996 report. The updates are based on interviews with the original developer, subsequent owner and/or leasing agents for each project, with the exception of Janss Court, for reasons described below.

There are several very interesting comments here, particularly the first three cases.

Venice Renaissance
Originally developed by Harlan Lee and Associates
Venice, California

The Venice Renaissance project consists of 132,400 gross square feet on a 1.6 acre site fronting Main Street in the Venice community of the City of Los Angeles, about two blocks from the Pacific Ocean. This project includes three levels of housing (66 market-rate condominiums and 23 rent-restricted apartments for seniors, with a wide range of unit types) above 30,000 square feet of ground floor commercial space (10,000 square feet of restaurants and 20,000 square feet of general retail).

We spoke with Duncan Lemmon, real estate agent with Lee and Associates, regarding the retail space. He indicated that there are approximately 10,000 square feet of available retail space out of a total of 30,000 square feet in the project. All of the 10,000 square feet is space that had been previously leased. The asking rent is $3.00 triple net and there is a proposal out for signature on 9,000 square feet of the 10,000. The space is expected to rent for approximately $2.75 per square foot.

According to Mr. Lemmon, vacancies have occurred in the project over the past several years due to the growing success of Santa Monica's Third Street Promenade and its effect on all Main Street businesses. Retail sales slowed considerably on Main Street as major credit tenants shifted to the Promenade. The near zero vacancy level on the Promenade is expected to lead to a resurgence of retail leasing on Main Street, as evidenced by the recent re-leasing of the 9,000 square feet store near the Venice-Santa Monica border, which was formerly occupied by Reebock, and has been vacant for the last two years.

A second factor that led to retail vacancies in the building over the last year was the a new owner's decision to keep vacated spaces empty in order to address problems with the building associated with the separation of residential and retail uses. The real estate agent could not be specific about the nature of those problems, but indicated that leasing activity was suspended for nearly a year while the rehabilitation occurred. (HR&A will continue to investigate this issue) Offers were received on the vacant space during that time, but could not be accepted. The building has consistently generated interest from the market place over the last year, during which time Lee and Associates has represented the owner. Parking for the retail uses (including three large restaurants) continues to be ample.

We spoke with Nicole Wagner, real estate agent with Fred Sands Realtors, about the residential units. There are only two condominium units available for sale in the project. Both are two-bedroom, one and three-quarter bath units with 1,188 square feet. The unit on the first floor has a garden view and has been available since early July for $285,000. The unit on the second floor has a mountain view and has been available since mid-June for $300,000. Both units come with two covered parking spaces. The homeowners' fees are $301 per month. The real estate agent indicated that the units in the building rarely turnover.

Wilshire Wellesley
Developed by Dkoby Enterprises, Inc.
West Los Angeles, CA

The Wilshire Wellesley project is located on Wilshire Boulevard near Wellesley Avenue in the Brentwood area of the City of Los Angeles, near the Santa Monica border. The project includes 82,500 gross square feet on a 0.63-acre site, in six stories. This project was under construction at the time the original case study was prepared. It was planned to contain a combination of 48 market-rate condominiums and 12 price-restricted condominiums above 6,000 square feet of ground floor retail space.

Construction was completed in December 1996, by which time the 12 moderate-income restricted units had been sold, all for a set price of $145,000. Marketing and advertising of the 48 market rate units commenced after the holiday season, in early February of this year. As of today, approximately six months later, 19 units have been sold and 29 units remain on the market. Sale prices have ranged between $260,000 and $440,000 per unit, significantly lower than the

$600,000 per unit price ceiling that was originally projected by the developer. The developer reports steady walk-in traffic, but a preference among buyers for three-bedroom units ranging in size from 1,800 to 2,000 square feet. The units at Wilshire Wellesley are two-bedroom units ranging in size from 1,450 to 1,500 square feet.

Only one retail space of 1,000 square feet is available out of a total of 6,000 square feet in the project. The balance of the retail space has been leased to Bruegger's Bagels, Seattle's Best Coffee, Astro Space Bar and Beauty Club. Rent is approximately $3.00 per square foot triple net. Preliminary marketing efforts for the retail space began about two years ago, but the developer started marketing the retail space in earnest last summer.

Several factors are contributing to the mixed success of the project, according to the developer. First, the market for condominiums has not yet rebounded and is unlikely to do so for another year, after the single-family residential market gathers more momentum. The developer attributes the project's moderate level of success to the paucity of condominiums currently on the market, but anticipates several new projects to start construction soon, due to more favorable financing conditions and recent escalations in property values. An upsurge in construction is likely to result in a further slowing of the project's condominium sales, he believes.

Second, the cost of construction has significantly increased, both in terms of labor and materials, the developer believes. Much of the skilled labor moved to other western states, including Arizona and Nevada, where construction activity continues to outpace Southern California. The cost of lumber, metal and concrete have all risen dramatically since the last construction cycle ended in about 1990. Recent changes in the ADA and fire, building and seismic codes after the 1994 Northridge earthquake contributed to the rise in construction costs. Buildings of this type had a hard cost of $70 to $75 per square foot in 1990. In comparison, this project had a hard cost of approximately $130 per square foot.

The bulk of potential buyers have not yet demonstrated a willingness to accept higher prices that reflect higher construction costs, the developer reports. As a result, condominium prices per square foot relative to single-family homes prices per square foot have not risen substantially. The developer, however, expects the tightness of the inventory to usher in a new wave of condominium construction in spite of stagnant-to-declining sales prices.

Third, banks have been reluctant to underwrite mortgages for potential home buyers of condominiums in mixed-use projects. The developer experienced a "catch 22," whereby lenders required seventy percent pre-sales before approving any individual home buyer loan. The developer was able to overcome this constraint by grouping serious offers onto one floor at a time and convinced the lender to view the building in phases, floor by floor. The developer packaged unit sales by floor so that 50 percent of a floor would enter escrow simultaneously, which the lender accepted.

Notwithstanding these market and financing considerations, the developer would only consider building another mixed-use condominium project if the allowable density was increased in order to better offset the market and financing risks. This project was limited to seventy feet in height and R3 zoning (i.e., up to 54.5 units per acre). The developer expressed a need for a 100 foot height limit and a R4 designation (i.e., up to 109 units per acre) in order to increase the project by three floors and, thereby significantly increase the number of units.

Wilshire Promenade
Developed by Howard Platz Group
Fullerton, CA

This nearly 120,000 square foot mixed-use project on a 1.28-acre site, is located in the City of Fullerton, near the courts, Cal State Fullerton, Fullerton City College, an AMTRAK station and a hospital. This project consists of 128 market-rate apartments about 13,400 square feet of commercial space and a public/private parking structure.

We spoke with Alice Cutwright, on-site residential leasing staff for the building. All 128 units are rented. Three units were to be vacated in August but they had already been re-leased as of our inquiry. There is a waiting list for upcoming vacancies. The most recent vacancies in the building occurred between late March and May, but the building was fully leased during the prior winter months. Except for last spring, the building has been and continues to be fully leased.

Rent for the one-bedroom units is $790 per month and rent for the two-bedroom units is $950 per month for the smallest units, and up to $1,125 per month for the larger two-bedroom units, depending on view and amenities. The highest rent is for a two-story, two bedroom townhome. Tenant parking is located one level below grade and continues to be free.

The leasing representative attributes the success of the residential component of the building to the quality of the project and its downtown location, which is adjacent to the retail district and a variety of restaurants and night time activities, and the train station. The retail district has become an antique center for Southern California as many storefront vacancies have become occupied by antique dealerships and galleries. In addition, the City of Fullerton has recently begun to focus its efforts on improving the area through new street signage and street lights.

We spoke with Bob Root of McGarvey Clarke Realty regarding the commercial space. Only 2,000 square feet remains available of the 13,400 square feet of retail space in the project, a significant improvement from our last profile. Asking rent is $0.95 per square foot triple net. Free rent and a tenant improvement allowance in the range of $30 per square foot are available, based on the terms of the lease. Existing lease terms are generally two to three years in length.

The broker reports an increasing number of inquiries regarding space from professionals as the retail activity along Main Street (one block away) has improved. The retail space currently leased in the building is occupied by attorneys and a dance studio.

Beverly Hills Senior Housing and Public Parking Garage
Developed by Menorah Housing Foundation
Beverly Hills, CA

This 131,000 square foot project was developed on a 1.5-acre site located on Crescent Avenue, two blocks north of Wilshire Boulevard, in the City of Beverly Hills. The project consists of three uses: (1) 150 rent-restricted apartments for very low-income seniors and disabled persons; (2) a 26,000 s.f. food market; and (3) 877 public parking spaces for residents, patrons of the market and workers and shoppers in the surrounding area.

Menorah Housing reports that the rental units remain completely full and there is an eight year waiting list. Mrs. Gooch's Market was sold to Whole Foods Market, which continues to occupy the ground floor.

Janss Court
Developer the Janss Corporation
Santa Monica, CA

This project contains 131,000 square feet on a 0.69-acre site at the corner of Broadway and the Third Street Promenade in the City of Santa Monica. This project includes 32 market-rate apartments and 50,880 square feet of office space above 33,800 square feet of commercial space, including a fourplex movie theater of 20,700 square feet and two restaurants comprising 13,100 square feet.

As we noted in the original case study, the project reportedly experienced significant structural steel joint damage in the 1994 Northridge earthquake. The cost of resolving this problem, coupled with other financing difficulties, which reportedly stem from over-spending on the project's construction, caused the Bank of Montreal, the construction lender, to initiate foreclosure proceedings.[1] The original development partnership filed for Chapter 11 bankruptcy in 1995. In fact, the Janss Corporation itself, which has developed mixed-use projects in Long Beach, among many other projects, closed its entire business in late 1995.

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[1] Brad Berton, "Where Did Alleged Toxics in this Office Come From?" *Los Angeles Business Journal*, October 9, 1995, p. 6, 53.

According to news accounts,[2] the project was recently sold to a Northern California investment group for $30 million, or $225 per square foot. (This compares with a reported development cost of $26.2 million). The fact that the project included on-site parking, though it could have relied on the City's six public parking structures to meet its parking requirement, is said to have added to its value.

Despite persistent efforts on our part, none of the real estate professionals or individuals involved in the leasing, financial work-out or the recent sale would discuss the project with us.

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[2] Bob Howard, "Janss Retail Building in Santa Monica Sells at a Premium," *Los Angeles Business Journal*, August 4, 1997, p. 36.